

The Forty-Eighth Annual Convention

Proceedings Characterized by a Desire to Help in the Reconstruction Overseas. Convention Declared That the Time Has Come For Our Government to Formulate Principles on Which It Will Be Able to Cooperate in the Rehabilitation of the World

THE remarkable thing about the Forty-eighth Annual Convention of the American Bankers Association was not the unparalleled attendance but the plane of its deliberations. Everywhere the proceedings were characterized by an earnest desire not alone to advance the interest of a class, but by a desire to advance the prosperity and to better the condition of people as a whole. The convention was an inspiration.

Banking prosperity is first and last but a by-product of the general prosperity. An exemplification of this fact is found in the earnest consideration given by many speakers to the foreign situation, and by the close and sympathetic attention with which their discourses were received by the great concourse of bankers in attendance. It is further shown in the unequivocal resolutions adopted by the convention.

If there is anyone imbued with the idea that the banker is interested only in his own business, then the broad deliberations of the convention must have dispelled that error. "We believe," says one paragraph of the resolutions adopted in the main convention, "that the time has come for the Government of our country to formulate the principles on which it will be able to cooperate with other nations to bring about the needed rehabilitation of European countries and people in the world."

"It is our belief," says another resolution, "that in those industries whose continued operation is essential to the well-being of the whole people, organized strikes should be regarded as against the welfare of the state. We make a sharp distinction, between the right of the worker to leave his employment and the attempts made by intimidation to compel those employees to leave their posts, who otherwise would be willing to work." And, "We disapprove emphatically the attacks made upon the Federal Reserve System and the members of the Federal Reserve Board individually. We believe that there is no surer way of hindering a return to prosperity than by attempts to undermine our banking system, which has proved its value through an unprecedented time of stress and strain."

"No solution of the reparation is possible," said Sir Reginald McKenna, "unless political considerations are subordinated to economic facts."

This—the broad vision—was the really big feature of the

convention, greater and more significant than an attendance of 11,536, a number which placed the gathering third in the list of the country's largest conventions.

But the very unusual attendance, nevertheless, carries with it a really extraordinary benefit in that no person who participated in the convention could go back to his home town and again fulfill his duty as banker and community leader, unimpressed and uninfluenced by the deliberations of the gathering. By the same token no banker returned to his home who was not stronger in his belief in human nature, broader in his world views, and withal a better counselor in purely community and individual problems. The impulse and the information disseminated directly through the press and which again will have its full effect through the personal contact of bankers with the public, surely will add to prosperity here at home and will enlarge the growing belief of all America that the well-being of other nations is linked up with the well-being of our own nation.

This issue of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, devoted to the presentation of the addresses and deliberations of the convention, records an invaluable wealth of business and banking information. Covering as the record does, the whole range of banking activity as well as various aspects of the greater problems of business, a study of the proceedings is commended to bankers and business men who were unable to be in attendance. This applies not alone to the report of the sessions of the main convention but to all of the group meetings, for each of the latter was in itself an important and valuable convention, characterized by at least one address of outstanding importance. The forum on branch banking, in which there was much interest, is reported in full in its proper place in the convention proceedings.

In order of succession John H. Puelicher, president of the Marshall & Ilsley Bank of Milwaukee, who heretofore has been first vice-president of the Association, was unanimously elected president of the Association; Walter W. Head, president of the Omaha National Bank, was elected first vice-president, and William E. Knox, president of the Bowery Savings Bank, New York, was elected second vice-president. The treasurer, executive manager, and secretary of the Association were re-elected.

To the Bankers of New York City

An Appreciation

By Thomas B. McAdams

WE ARE grateful for the warmth of the hospitality extended us during the recent convention of our Association, a welcome unfettered by the limitation of conventionalities. Even those of us who are often in New York and in consequence thought we knew the heart of the City were quite unprepared for the character of reception accorded the eleven thousand five hundred and thirty-six registered delegates and guests.

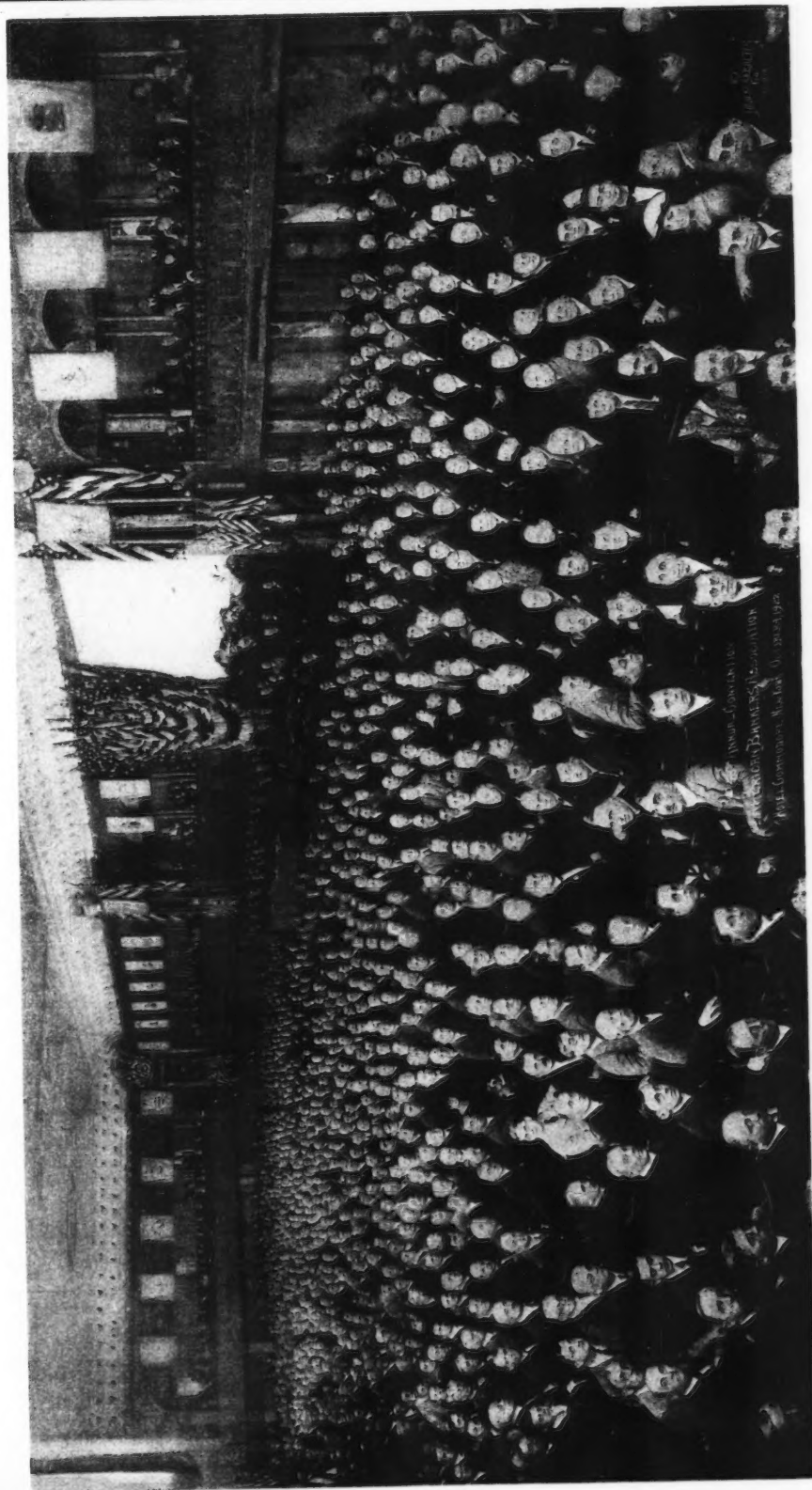
¶ Your leading bankers, despite the many demands upon them for constructive service, found time to impress their personalities upon the convention and, through provisions made for our comfort and entertainment, enabled New York to exceed her well earned reputation for doing all things well.

¶ Of the direct results it is perhaps too early to speak. We can at least be assured that business, based on a broad and sympathetic understanding of the finer things of life, received a new impetus. The convention awakened in the banker a keener appreciation of his responsibility and increased his confidence and his ability to serve, while the public was impressed with the fact that banking is not merely sordid money-making but a force which, when expressed through such an Association as ours, becomes a most important factor in the development of national policies and ideals.

¶ The deep sympathy of the American banker for the peoples of Europe and the desire to help so soon as the most effective means of cooperation may be determined will necessarily give new encouragement and hope overseas.

¶ In assembling this unprecedented gathering of bankers from all of the States, meeting them with open hearts, contributing to the deliberations of the Association through valuable opinions and judgments, the New York bankers rendered a service to the Country that is beyond appraisal.

¶ The bankers of America are keenly sensible of their obligation to you for making possible this convention, unparalleled in both size and importance, and for the warm and friendly hand-clasp with which you bade us welcome.



THE CONVENTION IN SESSION

Scene During the Second Session of the Forty-Eighth Annual Convention of the American Bankers Association, at Hotel Commodore, New York City. The Grand Ball Room Taxed to Its Capacity

The Convention Opens

"WE have met here today, gentlemen of the American Bankers Association, in response to the invitation of the bankers of New York," said President McAdams in opening the first session of the main convention after an invocation by Right Reverend William T. Manning of New York. "It seems peculiarly fitting that in coming to this city, which was the leader in the movements for financing

the world war, and to which city we looked for guidance in surmounting difficulties which at the time seemed insurmountable and also the city which contributed so much of heart and hand toward the relief of distress throughout the world, that the welcome today should be presented to us by a member of the leading firm of international bankers represented in this city, and also the associate of that beloved banker,

Henry P. Davison, who gave his life to the country that suffering throughout the world might be relieved. It gives me unusual pleasure to present to you a financier known throughout the land, who will not only welcome us to his city but also sound the keynote for the deliberations of the convention. I present Thomas W. Lamont of the firm of J. P. Morgan & Company."

The American Banker's Responsibility

By THOMAS W. LAMONT

J. P. Morgan Company of New York

AS chairman of the local Reception Committee and in behalf of New York's bankers and citizens generally, I bid you welcome to this city. We want you to feel that New York city is your city—not for this convention week alone, but for all time. For we would have you believe with us, once and for all, that New York is not local to the Atlantic seaboard, but is country-wide in its interests, in its achievements, in its attachments. There exists in this country today far too much in the way of sectional feeling—a feeling which if not tempered by more intimate intercourse and common experience means disunity for our country. To prevent any such unfortunate tendency is the part of all of us.

New York is not made up of a citizenship separated by some mysterious distinction from the rest of the country. On the contrary, it is composed largely of men and women from every locality in the four quarters of America. Except for its size, it might be any other great American city. Broadway is another name for Main Street. Let me tell you in a word how we in New York feel. We feel that we have a share equal with you all in the life and the ambitions of our country from the Atlantic to Pacific. We have the same satisfactions, the same pride as you in the great manufactures and the wonderful agriculture of the Mississippi Valley, in the cotton fields of the South, in the wheat prairies of the Northwest, in the rugged grandeur of the Rockies and Sierras, in the fertility, the color, the charm of the Pacific Slope. These great resources, the common inheritance of us all, which your boundless energy and capacity have developed to the benefit of the world, command our admiration and our gratitude.

In the same way do you all share deeply in whatever this City of New York possesses in the way of fine tradition, of character, of enterprise and accomplishment. Whatever it has built for the stability and security of our country, you have had a share

in that building. Whatever it has accomplished in the less material things of life, in music, letters and the arts, to such accomplishment, I say, you have contributed generously and in a portion that could never have been spared. Therefore it is that we would have you feel that New York belongs to the country and the country to New York. Therefore it is that we would have you return here, time after time, members with us of a closely joined family, sympathetic in understanding, close in aspiration, warm in mutual affection.

Domestic Business Conditions

Our President here has asked me to say something about American business today, both domestic-wise and as it is affected by conditions abroad. As to the domestic situation by itself there would appear to be little cause for conflicting views. We seem to be well into the final stage which, as the records of decades show, marks the end of one business cycle or the beginning of a new one. I hardly have to recall to you the successive stages of our business triumphs and our trials. First, was the end-of-the-war phase of huge demands for commodities of all kinds, of swiftly mounting prices, of constantly expanding business and accompanying inflation. Second, came the storm signals, namely, the heavy drop in security values in the last half of 1919. Third, came the swift fall in commodity prices, not in America alone but all over the world—a fall that would have spelled disaster to American business had it not been for the sagacity and courage of you bankers here before me, backed up by the Federal Reserve System with a fine common-sense southern banker at the head of it, Governor Harding of the Federal Reserve Board! Fourth, in this cycle, came finally the ease in money which denoted the flattening of prices with business on its back. That easing of money became marked in the summer of 1921, and now, as has been the case in other business cycles, we have, after

a twelve-month of easy money, begun clearly to move forward again. We have had rude buffets and deep wounds. But American business has at last, with characteristic courage, bound up its bruises and is slowly moving on to new goals.

Yet, despite clearing skies and fair weather, we have not yet cause for unbounded confidence. We must not forget that, before the race is won, we still have some hurdles to jump. What are some of these hurdles? Our farmers would tell us that a chief one is the low price prevailing for farm products. They say, "Yes, this is a big season for crops, but our net money gain will be small." You know what the figures show, but here is the estimated comparison between our crops last year and this:

	1922 Bushels	1921 Bushels
Wheat	818,000,000	795,000,000
Corn	2,875,000,000	3,080,000,000
Oats	1,255,000,000	1,061,000,000
7 Cereals	5,274,000,000	5,195,000,000
	Bales	Bales
Cotton	10,600,000	8,000,000

I shall not attempt to argue the point of lower prices; but I never knew any country to "go broke" because of its abundant crops. So, even though our farmers suffer disappointment, I think the low-price hurdle is the easiest one to jump. The farmers had high prices in 1919 and 1920, but the aftermath was a serious one for them. In the long run they, like all of us, will fare better on a moderate price scale, with small fluctuations.

The Problem of Labor and Capital

What other hurdles have we to leap in our race for prosperity? Certainly our labor strikes form one, and a big one at that, even though the worst may now seem to be over. We all say that we deplore these wretched struggles, yet the extent of our regret must be measured by our endeavor to prevent their recurrence; by our attempt to reconcile the conflicting views. As bearing upon

this situation, I ask you, who are so influential in counselling large men of business, to remember that in this country there are still traces of arrogance among employers, as there are manifest signs of arrogance in labor. Yet the employer has even less excuse for arrogance than the laborer. The high wages of the war and of the years just after had, not unnaturally, a somewhat "spoiling" effect upon labor. They gave labor the feeling that it must always share in the prosperity—never in the adversity of business. I deplore that feeling; yet I beg to remind you here that that feeling of labor, in so far as it was directed to the improvement of living conditions, to the gaining of a little leisure, and of the time to play and be happy, was wholly right and to the advantage of the community. From such men as you, such ambitions on the part of labor, moderately and wisely directed, should have every possible encouragement.

The problem of capital and of labor will never be wholly worked out. People talk as if it were an example in arithmetic, capable of a final solution. It is no such thing. It is a problem of human beings: therefore, of emotions, gropings, longings and ambitions. We can meet it only little by little, and only then if we put ourselves in the other fellow's shoes and get his viewpoint. Do you and I want to change our jobs of long hours, evening conferences, heavy and continuing responsibility, for the job of the man who has the chance in his daily work to relieve his brains with the work of his hands? Some days no doubt we all feel like it; but whether we would make exchange or would not, it is our responsibility to study more fully than we do today the conditions of labor and to be sure that, by and large, every competent worker (be he in the office or in the field) has an interval in the drudgery of work for that enjoyment of life that will make him a more contented and better citizen. In this matter you and I have a responsibility that we cannot dodge.

Politics and Business

What other hurdles have we to jump? If I should answer—politics—the response might well be that politics are always with us and must ever be reckoned with as a handicap upon business. If that is true, it is our own fault in the

men whom we select to legislate for us. The hurdles against business which politics set up are likely to be more formidable in the continued unsettlement which they threaten than in the actual results of legislation. That is the reason that the Bonus Bill, with its threat to tax several billions of dollars more out of the American people and distribute the fund in such a way that probably no one would receive real benefit, has been a hurdle to business. That is the reason that President Harding's ringing veto of the bill has created such a feeling of relief in the community.

ing. This theory, which seems to be the basis of much of our tariff legislation, will, if pursued, surely wreck a big part of our foreign trade. If there is any one motto which American producers and legislators should learn by heart, it is that oft-repeated one of the British merchants, who, over a century ago, declared that, "He who will not buy neither shall he sell."

Now, let us cast our eyes across the ocean, and see if we can derive any comfort from that situation. With war and rumors of war, with the Turk—the "Sick Man of Europe"—suddenly alive and kicking the Greeks all around the lot, with Russia, Germany and Austria what they are, with Ireland still in a ferment, we may well wonder what end is in sight. Yet to say that Europe has "gone all to pot," or in fact to give vent to broad generalizations about Europe, is very dangerous. On the surface, yes, things look about as bad as they could. But you bankers, when you are sizing up a customer, look far beyond his mere written statement. You take into consideration his character, his life-long record and many other factors not plainly visible. So in any size-up of Europe we must take into account the invisible factors. And I say to you that these invisible forces are saving Europe today. Politically, Europe may be in the doldrums or worse; but economically (though many people may disagree on this point) I, for one, believe that Europe is on the mend.

Invisible Forces Saving Europe

What are these invisible forces that, I maintain, are so great as more than to offset the visible and unfortunate factors in the European situation? The first of them is productivity. Those forces

that for almost five years were given over to the killing of men, are now being devoted to the growing of crops, to the making of goods. Second, trade is on the increase; not only as to Great Britain, the traditional merchant of the world, which is already well on her feet, but as to the whole continent of Europe, even including Russia. England, has, since 1919, paid off £275,000,000 of her external debt—an amount equivalent to one and one-third of America's entire national debt prior to the world war. Last year France reduced the trade balance against her from an



THOMAS WILLIAM LAMONT

The tariff measure is of a somewhat different order. We shall be fortunate indeed if we do not find that in practice it protects a lot of industries that do not require protection, and cuts off from our farmers and manufacturers a lot of foreign markets that are ready to buy our commodities. Many of our people still fail to realize that the word "trade" means, in the final analysis, an exchange of goods or services. Many of us still cling to the idea that international trade, as the term applies to America, means that we can sell freely to all the markets of the world and in turn need buy from them little or nothing.

adverse figure of 23 billion francs to 2 billion francs.

The third point is that the people of Europe are saving. The war and its aftermath meant an orgy of spending. Now saving is taking its place. Politicians may disagree every morning upon the settlement of the reparations question, but meanwhile the brave French peasant, day by day, is growing his wheat, is saving his centimes. What, by the way, is the amount of savings that the French people have invested in their own government securities since the war? One hundred billion francs.

As to Russia, just as I was leaving London early in the summer, practical business men, familiar with Russian conditions, made this prediction to me: That there are two ways, one akin to the other, in which the Russian situation will gradually improve. One is that the Soviet Government will begin to persuade foreign engineers, manufacturers, and other technical experts to return to Russia and take in hand various units of production and transportation. The second is that foreign merchants will open up more active trade—not direct with Russia, which seems for the moment impossible—but with the buffer states like Latvia, Estonia, etc., whose merchants (having formerly been a part of it) know Russia perfectly; and in return for shipments of goods into Russia can secure payment in kind or in some other way not open to the ordinary foreigner. One of my friends described these two processes as to Russia as akin to the isolated skin-grafting operations that are sometimes undertaken upon a bad burn on the human body. A lot of little patches of healthy skin are stuck here and there, gradually grow and after a time, with good luck, come together and cover the whole burn. I was inclined to think this a pretty good metaphor and to believe that this prophecy as to Russia was not unlikely of fulfillment, even though the time involved may be long and weary.

Grievous Loss of Man Power

Grievously as the Continent of Europe has suffered from the war, I would remind you that we are too apt to reckon such losses in material terms—in the destruction of dwellings, of mines and of means of production. Europe's greatest loss, one for which not only she but the whole world must suffer for generations to come, is the death of millions of her young men; vital, eager, ambitious; singers, painters, poets; men of imagination and of genius, upon whose ideas a great portion of the world depended for its future progress, for its discoveries in science, for its inspiration in the arts. Do you remember those lines of young Rupert Brooke, himself destined a little later to lay down his life in the great cause:

These laid the world away; poured out the red
Sweet wine of youth; gave up the years to be
Of work and joy, and that unhopèd serene
That men call age; and those who would
have been,
Their sons, they gave, their immortality.

And Europe's great tragedy has been the loss of such lives and the upset of her social structure, the restoration of which will require far more of time and

patience than the repair of the material destruction wrought upon her. It is to such spiritual repair that America can by thought, by insight and sympathy contribute even more than in material ways. And upon us bankers and business men falls the responsibility of encouraging in this country the education and inspiring of our young men to high and generous ideas. For it is our young men, trained in imagination and initiative, that, in the next decade or two, must supply to Europe some of the vitality that lies stilled forever beneath the mud of Flanders.

Remember, too, that Europe cannot be restored by formulas. No scheme can right the world. Neither statesmen, economists, nor bankers can devise a plan of salvation. Only the people can save themselves, and that through the exercise of the old-fashioned virtues of hard work, of thrift, kindness and co-operation—coupled with wise and courageous leadership. And that is the point that leads me to emphasize the title which I have given to these scattered remarks of mine: "The American Banker's Responsibility."

America's Good Fortune

First, I want to remind you of the great privilege it is to be an American citizen today. This is still the country of great opportunity. The great, open spaces of this North American continent have given us justification for boundless vision, for generous impulse, for glowing optimism, for helpful cooperation in all directions. Just to be born an American, free from some of the clinging prepossessions of the Old World, is in itself an inheritance and a career.

Are we today realizing our opportunities? As to our purely domestic situation, I should reply, on the whole, yes! Our people are generally working in a worthy way towards worthy ends. They are meeting most of our strictly home problems with candor and good sense. If, as a people, we have a lack, it is that not often enough do we "pause in living to enjoy life." We are sometimes apt, in our eagerness for quantity, to overlook quality. We let our days and our passing pleasures grow elaborate and complex, forgetting that moth and rust corrupt and that ideas and ideals are the only things that endure for the ages. America within itself is, I repeat, a land of generosity and cooperation. Throughout our great and growing commonwealths from East to West we see public spirit, eager and intelligent; we see warm hearts, fine impulses, directed toward noble ends. But are we bringing this native American idealism—that same idealism that has led us, in five of the six wars that our nation has waged, to battle for high principle—are we bringing that same inspiration to our relations with the world at large? That is the question that, with searching earnestness, you and I may well put to ourselves today.

Interalled Debt Problem

In this connection, there is no concrete problem more vital for us to study with

clear and generous vision than that of the so-called interallied indebtedness. From the purely American view there are certain points important for us to bear in mind. It has been said many times in the last twelve-month that the one adjustment essential to the settlement of Europe is the German reparations question. I agree that this has been, and is, a question of great importance, but it seems to me that it has now become secondary to the general one of interallied debts. Of course, in a way of speaking, it is simply a part of the latter question, because Germany's indebtedness to the Allies is international in character. In our discussions of reparations over here, the American attitude has, on the whole, been critical of the French for apparently not realizing more quickly the facts of the situation and thus drastically scaling down the reparations payments. In fact, many critics over here have been advising France to forgive a good part of the German debt. To these critics Frenchmen have not unnaturally replied: "It is easy for Americans to advise us to forgive German debts due to us in repair of the frightful havoc caused by Germany upon our homes and industries; but what about America, in turn, doing a little of the debt-forgiving business, especially as the debts that were contracted with the American Government were made in order to enable us, in large measure, to do America's fighting before her own soldiers got into the firing line." I am not going to argue this point. I simply bring it up so as to ask you to give it your further thought and study—whether there may not be some reason in the French attitude.

Secondary Stage

The reason why I say that reparations has now reached a stage secondary to the larger question of interallied indebtedness is that, while no reparations adjustment has yet been reached, nevertheless public opinion on the other side has now advanced to a state where, when the reparations question comes up again next November, it ought not to be impossible to settle. In other words, over a year ago, the British realized that the Germans could, or would, never pay anything like the reparations total fixed in the Versailles Treaty. Later the Belgian government became similarly convinced, and now in France, as I have talked there with many classes of representative Frenchmen, there has come to be the same recognition of the fact that Germany cannot pay the huge totals set forth. The French government, however, has, not unnaturally, taken the position that it could make no official acknowledgement of such a general fact until such time as a possible settlement was offered. The French thesis is that if Germany cannot pay what she has promised to pay, let her come forward and state just why she cannot, and what and when she can pay. Up to date the French declare they have not received any clear-cut proposition from Germany covering these points. They say that when they receive such a proposition, they will be prepared to act. I bring out this point of view, because I feel that while to

many there may have appeared to be something "hard-boiled" in the French attitude, it is only fair to analyze that attitude and see what it really is.

The Sums Owning to America

Further, when it comes to this question of interallied indebtedness, suppose we put to ourselves, in all seriousness, that point that the French have put to us, namely—"Is it fair for us, inasmuch as we seem to be urging France to forgive part of the German debt in order to effect economic adjustments in Europe, to do a little forgiving ourselves?" As we put this point to ourselves, suppose we spend a moment in looking at the amounts of governmental indebtedness owing to our government. Just for record, I will mention again the rough totals by countries:

Armenia	\$11,959,917
Austria	24,055,708
Belgium	377,564,298
Cuba	8,147,000
Czecho-Slovakia	91,169,834
Estonia	13,999,145
Finland	8,281,926
France	3,358,104,093
Great Britain	4,166,318,358
Greece	15,000,000
Hungary	1,685,836
Italy	1,648,034,050
Latvia	5,132,287
Liberia	26,000
Lithuania	4,981,628
Nicaragua	170,585
Poland	135,620,583
Roumania	36,128,494
Russia	192,601,297
Serbia	51,153,160
Total	\$10,150,154,196

Now as to this indebtedness, early last spring, Congress passed a law under which the President appointed a special commission to negotiate with the foreign nations the handling of their indebtedness. The power of this commission, however, was strictly limited by law. It must require the borrowing nations to pay off their entire indebtedness within twenty-five years and meantime to pay interest at an average rate not below 4½ per cent. Of course, such provisions leave little room for negotiation. Under that bill about all that the European nations can do is to "sign on the dotted line" or, else to decline to sign, on the ground that they know that they will not be able to live up to the specified obligation and, therefore, feel it impossible to commit themselves to a promise that they cannot carry out.

Now, being all, I hope, practical men, I think it behooves us to scrutinize this situation and to look into the various factors bearing upon it. Let us, by investigation, determine what, if any, of these debts are in any event uncollectible, and so should be written off in order to "quit fooling ourselves." Let us decide what others of these debtors are good in part but must be given ample time to pay in—far longer perhaps than twenty-five years. Emphatically, let us figure to see whether the payment of these debts (which inevitably must mean a great increase in our import and a heavy decrease in our export trade) is going to prove an asset or a liability for American business.

Do They Really Owe Us All The Debt?

Then, aside from these phases of the question, there is another one for us to study, which has practicality in it and also some sentiment. It is based on the following fact, namely, that about one-half of the total indebtedness shown in the foregoing table was contracted between April 4, 1917 (when Congress declared war against Germany), and the date a year later when the American army for the first time got its soldiers into the trenches in any considerable numbers. Can it not, with much reason, be argued that whereas during this period of one year, we were wholly unable to furnish soldiers to fight our battles for us, at least we were able to furnish arms and munitions? We did furnish these, but not as a free contribution to the war, for during that period the Allies were purchasing these commodities in America and were paying for them by contracting the debts just described. Ought, therefore, any part of this first half of the debt to be cancelled by the American taxpayers? I do not attempt to answer that question, which of course has been raised many times heretofore. I simply bring it up again and urge you to think about it, and if, and when, you reach a conclusion, express that conclusion out loud. One thing is certain: If someone on April 4, 1917 had been able to give us our choice as to whether we should rather give up freely and for all time five billion dollars in money or give up the lives of several hundred thousands of our sons, there would have been no hesitation as to our choice. Fate, however, was the one that determined that choice. It determined that Great Britain and France should give up the lives during that first year, and that we should furnish, not our blood but our money; taking, however, in place of it the promises-to-pay of our Allies. No other policy at the time could have been followed, I grant you, but now that the war is behind us and we can take a long look back, is it wise for us, it is just, is it generous to make some composition of this matter? What is your opinion?

In making up our minds as to the proper answer, let us recall a phrase that of late years has been much used here, and sometimes misused—"America First." What does America First mean? Does it mean that we shall strain every nerve to make America first in wealth and prosperity. If so, we have already attained that ambition. Already we hold two-fifths the entire world's stock of gold. We produce 54 per cent. of its cotton; 45 per cent. of its grains; 60 per cent. of its copper; more than half of its iron and steel. Is there any field of material accomplishment that we are not preeminent in?

As to science, no ambition could be more exalted than to have America first in that field. And we may well be glad and proud that in so many lines of science, especially perhaps medicine and pathology, this country is in the van; its progress being manifestly due not only to the zeal and skill of our scientists, but also to the boundless generosity of those men who have used their wealth to relieve and to bless mankind.

In education, too, America is in the front rank, and even though in systems for training the minds of our young we may have much to learn, yet no one can deny that in our scheme of general, free schools for the youth of the land we probably surpass any other country in the world. Likewise, in our charity, America's record is a noble one. Who can forget the colossal sums for relief that our people freely gave, during the war and after? Mr. Herbert Hoover estimates these sums to have aggregated \$1,204,343,000 down to the summer of 1921. Of this amount approximately \$200,000,000 was sent abroad after the armistice to feed the hungry and clothe the naked.

Are We Doing Our Full Share?

Yet with all this splendid record of liberality and accomplishment, I again put the question whether you and I and our fellow citizens generally are doing our full share to solve the weighty, the tragic questions that are weighing upon the world? Are we giving to the solution of those questions the best that is in us—our constant study and thought, the willingness to sacrifice? I make no appeal to you for the immediate material aid of the world that lies beyond the Atlantic and Pacific. I make appeal to you, and to myself, for something far more rare—for our assurance to them that we are with them in mind and in spirit in the solution of their difficulties; that we are once again ready, as we were in the Great War and as our forefathers have been for 150 years, to suffer if need be, and to yield up something of ourselves in the general cause of world justice and peace.

Concretely, may I digress for a moment to mention two situations with which in the past two years I have become somewhat familiar? One of these is the Far East. The other is Mexico. Across the Pacific, Japan is our nearest neighbor. Do not gain the opinion that the Japanese people are a sharp, tricky nation, unfriendly to us and wanting to get the advantage of us. It is not so. The Japanese nation as a whole is exceedingly anxious for our goodwill and friendliness and will go far to gain and retain our cooperation. Nothing, I believe today, is, in their own opinion, quite so vital to them as an unbroken friendship with their neighbors of America. But it was upon the transcendent problem of China that I particularly wanted your thought. There is a great people—four hundred millions of them—a people high in the arts and in civilization three thousand years before Columbus came to America. But in these modern days their antiquated system of government has broken down. And trusting America, these great people of China—sober, peaceful, honest, industrious and intelligent—ardently desire the guidance of America. Any question affecting the peace and development of the whole Pacific basin must be of interest to us, and no task of greater magnitude and import waits upon us than to assist in the solution of China's difficulties. That is why I regard the Pacific Four-Power Treaty reached at Washington last winter as of such supreme importance to the Far East and as calling for

the study and loyal support of every American citizen.

The Situation as to Mexico

The other concrete situation which I had in mind was nearer at hand; our next neighbor to the south. To Mexico, as to China and Japan, duties not of my own seeking called me not long ago, and much time had been spent in an endeavor to assist Mexico in what I believe to be a sincere attempt by her present administration to work out the problem of her foreign indebtedness. Any such attempt, if carried out in good faith and effectiveness by the Mexican Government, must be bound to impress the world. And what I ask of you now is to give some little thought to this near neighbor of ours. Do not accept the "hard-boiled" opinion of your neighbor that "Mexico is hopeless" or that "All the Mexican people care about is to fight revolutions." No such opinion is true. No such opinion shows any scrutiny of the facts. Study the situation for yourself and you will find this to be true: That during the administration of Porfirio Diaz, intelligent and high minded as he was in so many ways, millions of the Mexican people had almost no opportunity to improve their position either by acquiring education or becoming, even in part, owners of the land which they cultivated. So that the revolution which overthrew Diaz and the revolutionary movements that succeeded it—misdirected though some of them were—were, in general, efforts to relieve and uplift the great mass of Mexican people. Remember this and you cannot fail to have more sympathy with the situation today. Of course, the movement to reform, like all such movements in history, went too far. The pendulum swung away to the left. Trying to correct admitted evils the republic created some new ones and adopted a constitution which is subject to criticism, not so much on the ground of its radicalism, as upon its unworkableness. The present administration in Mexico is, I believe, making an earnest effort to change the workings of that 1917 constitution so as to give the country a sound basis to work upon and its foreign investors adequate security. Because, however, the process is slow and halting, we have no cause for despair. On the contrary, there is strong ground for hope, always provided that you intelligent leaders of our community take the trouble to study the facts, and never be wearied in your

patience and sympathy for that neighbor whose frontier marches for sixteen hundred miles with ours from the Gulf of Mexico to the Pacific.

To the problems then of these two neighbors of ours to the south and across the Pacific, I ask you to give your personal thought and interest; pointing out to you meantime that the situation of Europe is inescapably joined with that of our own. In a material way we have made many nations, as Mr. Wickersham has said, dependent upon our own surplus products, and ourselves, in turn, dependent in part upon their markets. But, as I have said, the cooperation that I ask first for them is not economic. It lies in understanding and in sympathy. The shot that was fired at Lexington in 1775 was heard around the world. At that moment America set aglow a new beacon to light the way to freedom and liberty for generations on both sides of the ocean. But now that we have won so far on the way to a splendid national achievement, to well-ordered freedom, to prosperity and contentment, have we no flaming torch of leadership that we can raise before the eyes of the many millions who, since the armistice, have been looking in vain for it?

America at the Parting of the Ways

Finally, do not forget that, as these nations of Europe face great dangers, America, too, is facing a crisis, though of a different order. We have gained great power. With the power goes weighty responsibility. Have we discharged it? For the period of the World War, my answer is yes, a thousandfold yes. For the period since the armistice, can any one of us search his heart and answer yes? We have, it is true, offered criticism to the nations of Europe. We have shouted advice across to them. But we have been timid and fearful of petty entanglement. Now we have, it would seem, come to the parting of the ways. Shall we meet the responsibility that has come with our power—or shall we fail? Shall you and I give our mind, our understanding and our sympathy to these problems or shall we stand aside and add to our national stock of gold? Shall we urge upon our National Government active cooperation in the counsel of the mother country and of the Old World? Or shall we keep silent?

Nineteen hundred years ago it was that St. Paul said: "For unto whomsoever

much is given, of him shall much be required." And a little before there was One who said: "With what measure ye mete, it shall be measured to you again." What shall we measure for ourselves? Shall it not once more be the courage that is America's tradition? Shall it not be the generosity as well as the justice that, among all the nations of the earth, will in truth and in name make America First?

PRESIDENT MCADAMS: The best response, Mr. Lamont, that we have been able to make to your welcome is the fact that although the largest previous convention of the American Bankers Association numbered 4,400, over 9,600 of us are here at this time to partake of our hospitality.

We are deeply appreciative of everything that you have done to make us feel at home, but particularly for the wonderful foundation you have laid in this remarkable address, upon which we can build safely and sanely as the Convention proceeds with its deliberations.

I should like to pause in the program just a moment to have you meet the man who, as head of the Committee of One Hundred, has been giving so much of himself in organizing this work so that every detail might be attended to so that you and your friends might be happy while you were in New York—Mr. Seward Prosser, President of the Bankers' Trust Company of New York.

Mr. Prosser's Ovation

The audience arose and applauded.

SEWARD PROSSER: I am not asked to speak to you as a banker of New York. I am asked to speak to you, and only for a moment, as a representative of the Committee of One Hundred, whose rare privilege it has been to try to prepare in advance for your well-being, your comfort and your pleasure while you are within our gates.

I am not going to say more than this to you: We want you to leave New York thinking better of us and knowing us better. We want you to enjoy this town while you are here and I can tell you, with entire truth, on behalf of my associates, the men and women who have contributed so much, that if you return to your towns thinking better of us and have had a good time here, you will not have had any better time nor have enjoyed it more than we have who have made the effort to provide entertainment for you.

Address of the President

THOMAS B. McADAMS

Vice President Merchants National Bank, Richmond, Va.

AT this season of the year, when Mother Earth slows down her activities in order to inventory the new wealth created through her labors, it is customary for us to meet, analyze the work of our Association for the past year and outline our policies for the future.

It is not my intention to detail the activities of the Association or refer to the accomplishments of the various subdivisions of our organization. These records will be submitted as our program develops, and will, I am sure, bring conviction that our association together for the good of the banker and the benefit of the nation is not in vain.

In National Development

Through the cooperation of the bankers of the country and the leadership of those who have directed the affairs of our Association, there has been built up during the last half century this great financial organization, truly a powerful factor in national development—a force at once helpful, constructive, conservatively aggressive and unselfishly patriotic.

At the beginning of my administration there seemed not so much need for the creation of new machinery, or the development of new ideas, as for coordinating the great power for national development inherent in our organization of twenty-three thousand banking institutions and linking it up with other forces in the country, inspired by the same ideals of service and working to maintain high standards in citizenship and government.

Inherent or potential power is an asset of great importance, but its real value comes only through its use—the application of it where it may be effectively employed and at once made creative and productive.

For centuries great watercourses have steadily made their way toward the seas, creating power sufficient to light the world, turn the machinery of industry and transport a large part of the products of the farm and factory from the place of production to the point of consumption; yet pending the development of hydro-electric machinery but a small part of this power was utilized, and energy of incalculable value was permitted to go to waste.

So it is with human energy. How great has been the waste of man power—how much of it has been dissipated because it has not been known how best to use it, or else it has been applied in channels where results were more theoretical than valuable.

Energy Transformed

Every cross-section of American life has its own particular organization. We find ourselves grouped together along religious, political, social, business, char-

itable, fraternal, racial, educational, financial and innumerable other lines. Each group has in mind the accomplishment of some desired end. Many of them are worth all they cost in money and energy; most of them make a distinct contribution to the development of individual initiative and a sound national viewpoint. How much more resultant, however, the efforts would be if, through the elimination of overlapping in motive and labor and jealousy in execution and achievement, the energy of all these diversified groups could be transformed through some central powerhouse into a great national force functioning with minimum waste of effort and expenditure.

Because of diversity of views and differences in purpose, a full realization of such an ideal is perhaps an impossibility; yet it should be entirely practical to bring together a few of the most important of our commercial organizations that they may at least cooperate effectively in the protection of society against the unsound propaganda of the agitator and the hasty judgment of the mob.

During the past month, upon the invitation of the American Bankers Association, a conference was held between executive representatives of nine leading commercial organizations.

There was no prepared agenda, there was no selfish program or policy suggested in behalf of any organization, and from the nature of the deliberations and the expressed desire for similar meetings in the future, it seems fair to conclude that the conference marked a new epoch in the coordination of the efforts of the great productive forces of this country. A point of contact has been established through which each of these Associations, continuing to exercise its independence in policy and action, will be able to increase materially its own influence by linking up its energies and efforts with others animated by the same ideals of service.

Once certain that our position upon a question of national importance is truly representative of the spirit of our people and in accord with those principles which make for real prosperity and happiness, it should be possible through this combination of forces to exert a power which, if intelligently directed, will insure both wisdom in plan and sanity in execution.

In Public Affairs

We have been too prone to underestimate the position of influence and responsibility occupied by the individual American banker, and so it is not surprising that we have also failed to realize the important factor he naturally becomes in public affairs when his energy and talents are coordinated in an Association such as ours. Too often have we heard bankers themselves express the thought that the best way for them to accomplish something is through having

it advocated by some other element of our citizenry. We have patiently accepted the slurs cast upon the profession by some politicians who have endeavored to advance their own interests by painting a lurid picture of the selfishness and meanness of the average American banker.

In my judgment, the banker should resent these insinuations with every drop of red blood that flows through his veins, and should take his position upon both public and private questions without fear of misrepresentation and with no apologies for maintaining a position he conscientiously believes to be right.

If the banker will fight fearlessly in behalf of those principles which are founded upon right and justice, even though he be temporarily unsuccessful, he need have no fear of the ultimate outcome. The most pusillanimous figure in American finance is the banker who is afraid to express his honest convictions upon a public question because he fears some depositor may not agree with him.

In legislative matters we must be careful to advocate only those measures which are in accord with the best American traditions, founded upon sound financial principles, and the operation of which will ultimately inure to the general welfare. Holding firmly to these principles, we need have no fear of our appearance before state legislatures or in Washington being discounted or discredited. The experiences of the past year have convinced me that the average American official and legislator has a much higher regard for the integrity and advice of the American banker than some political profiteers would have us to believe—and, after all, the worst type of profiteer is the politician who tries to keep himself in office through advocating a raid upon the public treasury in the interest of any section or class.

Our Obligation to Public Service

The first step in our program of working in closer harmony and accord with other patriotically inspired organizations was the official visit of your Administration Committee to Washington in December of last year. It seems eminently proper that the services of our great organization of American citizens should be freely placed at the disposal of every American administration, without regard to creed or political affiliation, for the double purpose of assisting in the development of the great resources of our country, both physical and personal, and protecting the nation against insidious propaganda.

The President of the United States was most cordial in his acceptance of our proffered services, and heartily welcomed us as representatives of that cross section of American life which comes in close daily contact with the joys and sorrows, the aspirations and disappointments, the failures and achievements of the individual citizen.

With members of Congress and the heads of departments both problems and policies were discussed, and through results already accomplished the visit can definitely be recorded as having enhanced the opportunity for the American banker to help. It has made us more confident that our services are needed and has added materially to our capacity to advise and serve.

Often one hears patriotic and intelligent bankers express the sincere conviction that some worthy proposal should be discouraged because its development would bring the banker, either individually or collectively, into politics. Personally, I have no sympathy with this viewpoint. America is a democracy, and inevitably politics—not the development of narrow partisan policies, but the protection of our fundamental national polity—will be the determining factor in controlling our affairs and shaping the future of the country. If we would not enter politics ourselves, to whose shoulders would we transfer our responsibility of citizenship? Should we complain about radicals and theorists prevailing if we take an interest in public affairs only when some specific act, inimical to our interests or the public welfare, arouses us suddenly to the necessity for action?

Has not the challenge come to us, as to all other patriotic organizations desirous of protecting American traditions and developing her institutions, to assume leadership in public affairs? Where men have died for a principle, shall we refuse merely to render service as citizens? No! The obligation of public service is definitely laid upon us, both because of the inherent responsibilities of citizenship and of the peculiar kind of confidence reposed in us by all classes who have the right to expect us to be conservative in our judgment and aggressive in our leadership against those forces which would disrupt and destroy.

Danger of Class Movements and Paternalism

The two tendencies which today need most careful diagnosis and handling, in so far as their effect upon the future of our nation internally is concerned, are, first, class movements, the outgrowth of social and economic unrest, which tend to advance the interests of one group at the expense of the nation as a whole; and, second, paternalism in government, which finds encouragement in the assumption that government is the final resting place for all the trials and tribulations of the people and possesses some mysterious power for the solution of every trouble, real and fancied.

As illustrative of the first, we must view with alarm the tendency of certain groups of organized labor to advance their claims for changed working conditions and their demands for the maintenance of the high standard of wages, created through the necessities of war, by treating these questions solely from the viewpoint of their own individual interest and without proper consideration of the public welfare, which must ever remain paramount.

There can be no question that men working with their hands in various industries have been able during the past quarter of a century to improve materially working conditions and secure correction of abuses and injustices which would have been impossible but for the power created through organization. Many of these changes have proved beneficial to the employer as well as the employee, and salutary rules and regulations are now in force in every well organized industry which would have been looked upon as revolutionary a few years ago.

Every far-seeing American must view with sympathy a properly conducted movement which has for its motive the relief of distress and the increase of human happiness, provided that in its conduct it is equally as considerate of the rights of others as it is aggressive in the advocacy of its own policies. The danger in human organization, regardless of how meritorious may be its motives at the beginning, is that, having attained its objective, it will then come under the influence of unscrupulous leaders and impose penalties and restrictions even more severe than those against which in its inception it had with propriety protested.

Thus it was with the French Revolution. A long-suffering people sought relief from the innumerable burdens placed upon them by the ruling classes. Their objective was sufficient legislative representation to correct the evils complained of. With the establishment of the Third Estate, however, the movement went on to a point not dreamed of at the outset and developed into an orgy of bloodshed, ruthlessly destroying the lives and property of those who dared disagree with the motives and policies of those then in control.

The Right to Work

Organized labor has a right to live in America, but in order to survive it must so conduct its affairs as to entitle it to the respect and confidence of the American people. Industrial difficulties cannot be settled permanently through the exercise of force on the part of either the employer or the employee. They cannot be happily adjusted so long as labor, in addition to maintaining the right of the individual to refuse to perform a task for a specific consideration denies others the right to accept the position thus vacated.

America will not condone such incidents as the recent massacre at Herrin, where men were ruthlessly murdered because they dared work in positions voluntarily surrendered by others.

Consultation, cooperation, arbitration, as contrasted with commercial warfare are the means which can most effectively solve our industrial disagreements, and it should not be difficult to devise a piece of administrative machinery which will fairly determine questions in dispute and be clothed with the authority, based upon the interests of all of the people, to enforce its conclusions.

Capital and business have been defi-

nately curbed in their activities and restrained from so combining and eliminating competition as to advance their own interests at the expense of the public welfare. The strike is no longer a local incident, but through nationwide agreements has become a menace to the public welfare, and should be made subject to the laws protecting the people against other combinations in restraint of trade.

The American farmer in advocating cooperative marketing insisted there should be incorporated a provision protecting the public against any possibility of the movement's coming under the control of that type of leadership which would take advantage of the privilege for the purpose of monopolizing the food supply of the nation.

Should labor be less patriotic than the farmer? Should it not be made amenable to the same laws which prevent other citizens from enforcing their will upon the body politic? In the interest of organized labor, as well as the nation, the time has come when Congress should face this situation fearlessly and pass such legislation as will make labor more effectively part of our productive machinery, give it the same, but no more, protection than is accorded any other citizens and eliminate for all time the possibility of jeopardizing the health and happiness of the people by the abuse of special privileges under which it is now allowed to operate.

In transportation, it is apparent that many leaders of the labor movement are determined to stir up trouble continually, hoping that the public will ultimately become so dissatisfied as to assent to government ownership of the railways, with its opportunities for further decrease in efficiency and a corresponding increase in wages at the expense of the public treasury. The extravagance and waste during the period of government control was inevitable under a system where politics, rather than sound business principles, controlled administration, and should be a sufficient warning against a repetition of the mistake. So insidious is the propaganda, however, and so continuously active are those who would bring it about, that the danger can be warded off only through the eternal vigilance of those who put nation above self.

Cooperation Necessary in Regulating Railway Income and Expenditure

To make more effective our machinery for railway regulation, the Railway Labor Board, under proper restrictions to prevent the abuse of authority, should be given the power to require both carrier and employee to obey its rulings, and also the operations of the board should be more closely coordinated with those of the Interstate Commerce Commission. Thus, through cooperation in the regulation of income and expenditure, owners may be assured a fair return upon their investment, capital attracted for the construction of new roads and the development of existing facilities, a fair compensation awarded those whose energy and ability are responsible for the operation of the systems, and the

public guaranteed that measure of service, which, from the standpoint of efficiency and cost, will adequately meet the demands of an expanding national life.

Our present industrial difficulties are not so much incidents in the time-worn fight between labor and capital as between labor, organized and unorganized. Solve the labor question and the principal troubles of the American farmer—the greatest representative of unorganized labor—will satisfactorily adjust themselves. The prosperity of every farm, however, will be seriously affected so long as the farmer is required to contribute indirectly a material part of his day's labor toward maintaining two men in industry who, through decreased efficiency or effort, accomplish less than would normally be the productive capacity of one able-bodied workman, unhampered by union regulations and restrictions.

Many of our industrial disagreements are directly attributable to the failure of different economic groups to meet together and confer upon questions of mutual interest. Would not these troubles largely disappear if commercial organizations would more often invite a representative of labor to present his views frankly—labor affording the same opportunity to the business man to discuss problems of vital interest to employer and employee? An intimate acquaintance with each other's problems is the first important step toward amity in industrial relations.

Our Government an Evolution

The government of the United States has been one of continuous development. Changes have been wrought, both through amendments to the Constitution and through interpretations by the Supreme Court. As our country has developed, new problems have presented themselves, and in their solution we have discarded many of the policies and principles which formed the basis for the ratification of the Constitution by the original thirteen states. The nineteenth century saw the gradual elimination of the bitterness which marked the struggle between those who differed as to the powers inherent in the state and Federal governments, and the people, stimulated by the views of some forty million immigrants accustomed to centralized authority, have gradually learned to think more as a nation and less in terms of the state.

We have advanced far beyond the dreams of the most ardent Federalist of a century ago, and Hamilton, Marshall and Webster would be no less surprised than Jefferson and Calhoun did they know the extent to which administration by the states has been subordinated to legislation by the Federal government. So accustomed have we become to look to Washington for guidance and control that state rights is no longer the vital party question. Curiously enough, under a Democratic administration—acting under the stimulus of war—the government at Washington exercised a more direct control over the lives and businesses of the people than during any other period of American history.

We may accept as an accomplished fact the unity of the nation under a strong centralized government, but must still solve the important question of how far government—municipal, state or Federal—can with propriety undertake to regulate and direct the actions of its citizens and function along lines formerly reserved for individual effort.

Civilization has advanced chiefly as the result of the efforts of individuals living in organized communities, and it has retrograded, as a rule, when centralized authority has suppressed rather than encouraged the initiative of the individual. Anarchy disrupts all those ties which bind humanity together, while the increased concentration of power may develop into tyranny and be equally as destructive of all progress and liberty.

The most potential factor in the growth of America has been the freedom of the individual to develop along lines of his own choosing, to make his own place in society, to carve out his own future. Thus has it been possible for those starting life without either wealth or education to rise to positions of prominence in the counsels of the nation.

America's great contributions to the inventions of the world may be directly attributed to the development of individual initiative, the right accorded every man to let his imagination have free play, the exercise of that freedom of action which was the birthright granted him by those who drafted our Constitution as a protest against Old World autocracies.

At Los Angeles last year, Dr. McFadden showed conclusively that the decline of power of ancient Rome was coincident with the attempt to centralize excessive power in the capital and the gradual assumption by the government of the privileges and activities of its citizenship.

France

France, which during the Middle Ages, under the Feudal System, had suffered from lack of sufficient centralization of government, later, under Louis XIII and Richelieu, found herself degenerating under the power of an autocracy—abused by the nobility and detested by the lower classes. As initiative was gradually stamped out, the government assumed the regulation of various industrial and social activities, and so immersed was it in seeking luxury for the few at the expense of the many that the pleasure-loving Court lost its world perspective. It failed to give aid to its explorers and colonists, and those priceless possessions in India and America, which had been won at great sacrifice and expense, became English instead of French. Industry and commerce languished, unrest and unhappiness increased, and a frightful revolution was required to restore the freedom of the people and the sanity of the government.

Russia

In Russia during the past few years we have seen the autocracy of wealth

and culture yield to the tyranny of ignorance and social error. The ideal of the rule of the many has given way to the concentration of unlimited power in the hands of a few theorists, resulting in the disorganization of industry, the starvation of millions and the demoralization of the social and economic life of what is potentially the strongest nation in Europe in numbers and resources.

Germany

In four decades Germany saw the freedom of thought and action of her people subjugated to the imperialistic will of the ruling Prussian dynasty. In school and church the individual was taught to subordinate his desires, his actions to national policies, to become a mere cog in the imperial machinery. Individual ambition, individual initiative, individual achievement were valued only as they contributed to the upbuilding of the state. A well organized industrial development was the inevitable result of training the boy and girl to perform a certain task, but through the crushing of the spirit of the individual the nation lost its soul.

The power to control the destiny and lives of its people, in even the smallest detail, developed in the government the desire to bring the whole world under subjection. Today we find millions dead, the property accumulations of generations destroyed, the social structure of Europe disorganized and in a constant state of fermentation. Confessedly bankrupt; her trade demoralized; with difficulty maintaining order in her social structure and stability in her industrial life; her intelligence and resources unable to stem the tide of impending disaster without outside help, Germany is a monument to the failure of the theory that the government, rather than the people, make a nation great.

Here at home we find a lesson of amazing significance. The recent failure of the non-partisan movement in North Dakota—where a single group endeavored to have the state function for its own benefit and advantage, calling upon it, through cooperative banks, stores and industries of various kinds, to perform for the people those functions which they should carry on for themselves—was as inevitable as is the end of any movement which violates the sound economic principles of business and government.

The Paternalistic Tendency Warrants Intelligent Consideration

From a national standpoint, we have not yet gone so far as to be in imminent danger, but the tendency toward paternalism is sufficiently in evidence to justify us in making an intelligent effort to determine just what activities the government should perform and how far the individual shall be accorded freedom of opportunity, untrammelled and unhampered in his operations in so far as he properly respects the rights of others.

There is, for example, a wide gulf fixed between government ownership of railroads and their operation by indi-

viduals under regulations properly protecting the public interest.

It is also far better to encourage individuals to employ their brains and capital in the development of a merchant marine worthy of America than for the nation, hampered by the red tape of government institutions, to assume it can operate its own ships as cheaply and effectively as would private citizens risking their all upon the ultimate success of the enterprise.

A great government-controlled banking system may be successful if it confines itself to supplying the currency needs of the nation, and yet it would be a monumental failure should it attempt to function as the nation's banker, dealing directly with the individual, politically controlling deposits and credit alike. The active solicitation of savings deposits by departments of the government is an encroachment upon the field of private institutions wholly out of accord with an ideal national policy.

There is a vital difference between regulating competition between corporations or directing distribution in a great emergency and the taking over by the government under normal conditions of our mines, packing houses and other industries supplying the necessities of life. A temporary gain through increased supply or reduction in price can thus be purchased only at the expense of national progress.

The government can with propriety prevent a group of men from interfering with others in the performance of their daily tasks, but attempting to force the same men to work a specified number of hours at a given task would inevitably stimulate revolutionary activities.

A government renders constructive service when it encourages public education and assists in the development of the public school, but prescribing a curriculum and dictating what subjects are to be taught and how they are to be treated would ultimately destroy that liberty of thought which is essential to the proper development of the individual.

The War Finance Corporation performed a distinct service in relieving a temporary, but none the less acute, situation, but the permanent operation of such a corporation would be economically disastrous and would establish a precedent in class legislation destructive of the ideals of a government of, by and for all the people.

Special privilege for agriculture, regardless of the recognition of the need for encouraging its development as the basis of American wealth, inevitably leads to special privilege for other classes. Class advantage enjoyed by labor and certain manufacturers is the principal basis for the claim of the soldier for additional compensation. License granted one group can be exercised only at the expense of the whole social body.

At the beginning of his administration, the President of the United States emphasized the importance of more business in government and less government in business. Experience shows that, despite the glamour of public life, the nation does not sufficiently compensate officials to justify men of unusual ability

serving for a long period at the head of a department or commission. The extension of governmental activities, therefore, tends to decreased efficiency in administration, and as more of our business operations are conducted from Washington, the smaller will be the incentive to develop character, ability and initiative in the individual, essential to properly building up the nation's commercial structure.

Less government in business and less interference with the ordinary course of the average man will help maintain that standard of citizenship which has made America intelligently creative and abundantly productive.

Steady Progress Toward Stability in Industry

As we review the changes which have taken place during the past twelve months and note the material progress made in overcoming many of the serious financial problems which confronted us as a result of readjustment from war conditions, we can congratulate ourselves upon the fine responses of our people to the appeal to look forward—not backward. Many of those who a year ago faced disaster have taken on new hope and are diligently striving to regain a commercial foothold and do their part toward creating a new era of prosperity.

While we have experienced a temporary setback as a result of the coal and railway strikes, yet from whatever standpoint we view business conditions in America we are impressed with the steady progress which has been made toward stability in industry and the elimination of unemployment. Car-loadings have increased over 10 per cent., and while the gross earnings of two hundred of our principal railroads for the first six months of this year were slightly lower than for the same period in 1921, through economy in administration and expenditure, the net earnings show an increase of 70 per cent. for the same period. The farmer, who, in the face of declining prices, was discouraged and almost demoralized a few months ago, finds today an advance of 40 per cent. in the price of cattle, 30 per cent. in corn and wool, and 25 per cent. in cotton and hides, as compared with the prices prevailing in January. Wheat, however, after an advance of 28 per cent., has declined in value since May, and is now 15 per cent. below January prices. In the nine months ending in May there was an improvement in the employment situation of approximately 13 per cent., while the increase of 65 per cent. in construction and 64 per cent. in automobile production has been reflected in the spectacular recovery made in the steel trade, which expanded over 200 per cent. in the year ending July, 1922; lumber, during the same period, showed an increase of 25 per cent. In the year ending September 13 last, the reserve position of the Federal Reserve Banks showed an improvement of 17 per cent., gold holdings increasing \$383,000,000, or over 14 per cent. Deposits of member banks expanded over 20 per cent., while their borrowings from the system reflect

the enormous decrease of over a billion dollars, or 73 per cent.

With these advances there has come a new spirit, a reawakening of ambition, a renewal on the part of the individual of a desire to be both creative and constructive.

Our Obligation to Europe?

With the strongest financial position in our history, there is good reason to anticipate many years of prosperity if internal individual and class selfishness be subordinated to the needs of the nation and if America will use her resources of brain and money to help bring about a practical solution of the chaotic situation now threatening to destroy the economic life of Europe.

The armistice was signed almost four years ago, and yet we still find ourselves facing world problems crying out for solution, while we stand idly by, neither offering assistance nor making a suggestion helpful in bringing order out of chaos.

The determination of our international policy, whatever it may be, should be based upon the broadest possible conception of service and should not be restricted or hampered by party platform or political expediency.

England, like ourselves, did not go into the war for the purpose of gaining new territory, but was inspired by the need for protecting her weaker neighbors and saving civilization from demoralization at the hands of the Kaiser and his legions.

For three years before we crossed the seas she gave unstintingly of her men and resources toward holding the German in check, and since the war has fought no less courageously the economic battles of the Continent. Some may point the finger of suspicion and say in all this she is simply working out her own selfish plans for commercial supremacy. But even if this be true, when we consider the serious condition of world affairs, which still exists despite her strenuous efforts to protect the wrecks of European statehood from further demoralization, we must admit that her stabilizing influence justifies any reasonable concessions she may anticipate receiving. The important fact is that, despite her troubles in Ireland, India and at home, she has continued to carry on during a period when in our absence her leadership alone could have averted international despair.

France, recuperating slowly from a blow which pierced her very vitals, suffering from the shock of ruin and desolation caused by the invasion of a destructive foe, is impressed with the necessity for hastening the collection of reparation payments. She is prompted in these demands not solely because of her strained financial position, but also the necessity for rebuilding her demolished factories as rapidly as possible. It would be unreasonable to expect her to assent to Germany's reconstructing her world trade at the expense of French industry, disorganized because of properties and plants deliberately destroyed during the war.

There is a certain strength in France's position which must not be ignored. It requires but little imagination to picture what would have been the fate of France and England had the German drive on Amiens in the spring of 1918 been successful and had the Germans won the war before America was able to render real assistance. Not alone would penalties severe and onerous have been imposed, but in every city of importance military and civil authorities would be enforcing the collection of assessments in imperialistic fashion. There can be but little doubt that Germany's attitude would have been more harsh and uncompromising than that of France; but even so, the allied nations, if they would maintain the civilization for which they fought, must throw aside unnecessary prejudice and reach an agreement as to modifying reparation payments which will fairly care for the needs of France and at the same time not utterly demoralize the industrial life of Germany. Hope is essential to civic progress, and enforcing penalties too severe may bring disaster instead of compensation.

During the past few weeks there are indications that public sentiment in France has been undergoing a decided change, and if the suggested November conference be held we may expect results of great importance to the world, provided the nations there represented will realize that their own problems can best find solution through their energetically and unselfishly devoting themselves to a stabilization of the whole situation rather than to the adjustment of some question in which they may be particularly interested.

The Policy of Aloofness

Has not the time arrived for the United States to cast aside her policy of aloofness and throw herself wholeheartedly into the situation, that a cure for social disorder and financial demoralization may be speedily devised? We may picture for ourselves all the prosperity which is in our grasp today, so far as our internal situation is concerned, but we must realize there can be no permanency in it unless a sound foundation can be laid upon which the structure of future international commercial relations may be safely built.

With the abundant supply of Canadian and American wheat we already find European stagnation reflecting itself in the price of this commodity, upon which the purchasing power of so many farmers is directly dependent. Selfishly, therefore, from the standpoint of the farmer, who needs world markets for his excess agricultural products to maintain prices at home which will fairly compensate him for his labor; from the standpoint of the laboring man whose wages are dependent upon the activity of industry, stimulated by the foreign demand for our excess production alike from those classes who are directly interested in foreign trade and those whose incomes are but indirectly affected thereby, there must come a realization of the need for our becoming aggressively active rather than passively submissive in

our attitude toward Old World conditions.

Transcending merely selfish motives there comes the distinct call for us to use our abundant resources, the strength of our isolated position, which gives us a viewpoint untinged by century old enmities or alliances, and our inherent ability to lead and inspire, to the end that suffering may be relieved, the wounds of war healed, and hope substituted for despair in human endeavor.

It may be that Europe is not yet ready to have us participate or to accept the conditions which necessarily we must lay down as a basis for our cooperation, but even so, this does not relieve us of the obligation to offer to assist and so soon as possible to outline as we see them, the essentials to an ultimate solution of the situation.

Limiting Armaments

The work of limiting armaments, well begun at Washington, must be carried further and land forces so reduced as to discourage the war spirit. If any important nation continuously encourages the development of the machinery of war the world cannot with confidence plan for a long era of peace. France must balance her budget, and this is impossible so long as she finds it necessary to maintain her armies at their present strength, increasing the cost of government and decreasing the productivity of her man power. She must realize the unlikelihood of military aggression on the part of Germany and that her commercial recuperation at an early date necessitates her reducing her armed forces as speedily as possible, consistent with a policy of stabilizing conditions in Europe, with due regard to the menacing attitude of the Turk and the large standing army of Russia.

If dismembered Austria is to be protected from the exploitation of those wishing to develop Bolshevism she must be so linked up with some of those countries of large agricultural productive capacity as to insure her economic stability.

The whole situation is rapidly developing into one of dollars and cents, and the United States, as well as the other participants, must be prepared to readjust reparations and inter-allied debts upon a basis which fully recognizes the rights of the creditor and will relieve the immediate burden of the debtor countries to such a degree as will enable them ultimately to discharge their obligations.

Some debts must be extended for long periods, others cancelled or curtailed, but in any adjustment consideration must be given to the advantages accruing to some of the Allies through the provisions of the Versailles treaty. England, in discussing her indebtedness, should not overlook the some four hundred thousand square miles of new territory she gained through the war, and it must also be remembered that America settled upon a basis of receiving nothing except the ultimate repayment of moneys advanced.

Complicated as the situation appears, it should be possible, through making a fair analysis of assets and liabilities to

prepare a readjusted balance sheet which will prove acceptable and furnish a proper starting point for the reawakening of international trade, the placing of the currencies of the world upon a gold basis, and above all the elimination of a large part of the unrest and unhappiness now threatening to demoralize the whole social structure.

For four years we have with caution assumed the role of indifference. Of our own volition we have permitted events to take their course uninfluenced or unhampered by our suggestions or activities. It may have been wise to give Europe ample opportunity to work out her own salvation in her own way; it may have been best to pursue, as we did in the matter of entering the war, a policy of watchful waiting, but the time for deferring action is past, and, in my judgment, we must now either make up our minds to cooperate cheerfully and energetically, giving the best that is in us, or else reap all the satisfaction we can from falsely persuading ourselves that, in staying at home and looking solely after our internal interests, we are fully discharging our obligations to civilization and the world.

I do not believe the spirit of the American people is properly reflected in a policy of isolation. I do not believe that selfishness is the true motto of this country. I do not believe there is anything in the history or ideals of our people which can justify our failure to help in a situation where our counsel and assistance are so essential to the restoration of world order.

To Duty—We Have Never Yet Failed to Respond

As a nation we are giving and forgiving, far-seeing and courageous. Impressed with the blessings which come through the enjoyment of true liberty, we have ever been responsive to any movement which insures freedom for other people. Though often deliberate in action, we have never failed to respond and render the maximum of service when once convinced of our duty. Such an opportunity is the present emergency.

If America would be true to the best of her traditions; if she would make proper use of the unlimited resources which God has placed in her trust; if she would measure up to her obligations in a way to justify the energy and the lives which have been spent in her upbuilding, then will she no longer put off the day of cooperation, but, standing side by side with her allies, give freely of her counsel, her inspiration and her power of leadership to enable the world to remove the debris of war, and upon the foundation of international amity and good will erect a structure of Christian civilization which will stand impregnable against the forces of corruption and selfish aggression.

Executive Council and Administrative Committee

SINCE the adjournment of the last convention of this Association, your Administrative Committee has held meetings in Los Angeles, Washington, White Sulphur Springs, Montreal and New York.

It confirmed the President's appointments to the four commissions, committees, territorial vice-presidents and the members of the Executive Council at large;

Approved the salaries and appropriations recommended by the Finance Committee;

Accepted the invitation of the New York Clearing House to hold the next convention in the City of New York;

Disposed of routine business in connection with the Protective Department, interest on bank balances, Digest of Legal Opinions, and the investment of temporarily idle funds;

Authorized the President to invite executives of various national business organizations to meet in conference with the officers of this Association;

Appointed a committee to draw a resolution regarding the deduction of foreign balances in figuring reserves, for presentation to the Federal Reserve Board and the Chairman of the Senate and House Finance Committees;

Approved the report of the Special Committee concerning A. B. A. Travelers Cheques;

Referred to the State Bank Division for conference with the National Bank Division the resolution of the latter relating to branch banks;

Voted the General Counsel and Assistant Counsel an honorarium of 10 per cent. of the net profits of the Digest of Legal Opinions;

Adopted new rules of the Protective Committee;

Automatically assigned to the National Bank Division Edge Law Corporations which are members of this Association;

Referred the bill regarding free ports to the Commerce and Marine Commission and the Committee on Federal Legislation for necessary action to bring about its enactment;

And adopted a resolution expressing the desirability of making immediately effective the machinery for closer contact between this Association and governmental agencies.

By referendum vote taken in January, the Administrative Committee unanimously approved the compromise made by the Special Committee on Postal Savings in regard to the proposed postal savings legislation. The Special Protective Committee appointed to meet with the representatives of the Pinkerton National Detective Agency to ascertain the character of its service and investigate the charges made by it, reported that the charges against the efficiency of our protective service were not substantiated and recommended that no change in agency be made.

The plan for bi-weekly conferences of the headquarters' staff as submitted by the Executive Manager was approved.

The proposed amendment to the Federal Reserve Act permitting national banks to make loans upon real estate upon the same conditions as state bank members of the Federal Reserve System was approved.

The principle involved in Senate Bill 3531 relating to the membership of state banks in the Federal Reserve System as presented by letter from Senator McLean, Chairman of the Banking and Currency Committee of the Senate, was approved, contingent upon its meeting with the wishes of the Federal Reserve Board.

A resolution was passed protesting against governmental interference with private business and requesting the Treasury and Post Office Departments to discontinue paid advertisements and similar publicity likely to result in the transfer of accumulated savings from conservative banking institutions to the government.

At its summer meeting the Administrative Committee handled various routine business relating to the Association;

Confirmed the sale of 6,053 copies of the Digest of Legal Opinions to Thomas B. Paton;

It referred certain activities of the Treasury Department in connection with the sale of Treasury Savings Certificates to the Trust Company and Savings Bank Divisions;

Confirmed the appointment by the president of the Special Committee of the Economic Policy Commission to be known as the Banking and Currency Committee;

Appointed a committee to outline plans for a suitable celebration of the fiftieth anniversary of this Association in 1925;

Appointed a Committee on Canadian Relations to confer with a similar committee of the Canadian Bankers Association;

Confirmed the appointment of the secretary and assistant secretary of the Commerce and Marine Commission;

Confirmed the appointment of delegates to the Brazilian International Centennial Exposition;

Confirmed the appointment of the Committee on Agricultural Credits;

Designated Deputy Manager Edgar E. Mountjoy to act as assistant secretary of the Committee on Federal Legislation;

Appointed a committee to consider the advisability of consolidating the Association library with other financial libraries to form a central financial library in the downtown district of New York;

Authorized the preparation and publication, under the direction of the Economic Policy Commission, of a booklet setting out the fundamental principles of money and banking;

Directed that interest earned on securities, set aside to cover reserve funds, be credited to their respective funds;

And approved the report of the Finance Committee recommending appropriations for the fiscal year ending August 31, 1923.

Executive Council

The report of the Administrative Committee, an outline, much of which has just been given, was received by the Executive Council.

The Council at its Spring Meeting approved the report of the Finance Committee for additional appropriations and filled a vacancy on the Committee on Membership.

Pursuant to the recommendation contained in the address of the President, a committee of twenty-five, representing all classes of banking institutions in all sections of the United States, was appointed to consider the question of removing the headquarters of the American Bankers Association from New York to Washington and instructed to report at a future meeting of the Council.

On recommendation of the Administrative Committee, the By-Laws of the Association were amended and the maximum dues to Canadian banks fixed at \$250.

The Council also amended the By-Laws increasing the membership of the Agricultural Commission from seven to twelve; approved the recommendation of the Special Committee on Taxation in regard to the principle underlying Section 5219, U. S. Revised Statutes; recommended the amendment to Article IX, Section 1, of the Constitution as presented by the Administrative Committee; and disapproved the proposed amendment to Article X of the Constitution.

Ambassador Herrick

At this point President McAdams introduced Myron T. Herrick, Ambassador to France, and who is a former President of the Association.

AMBASSADOR MYRON T. HERRICK: After many years I assure you it is a privilege to stand for a moment before you, if for no other purpose than to say "Good morning" and to greet you and to express my friendship and to say "Good-by."

I shall carry to my post the picture of this splendid audience this morning, for I assure you, my friends, that you are not in the least conscious yourselves how these years of turmoil and trouble resulting from the war have finally resulted in giving not only to your own country, but to the people abroad, the confidence in the business men, the economists and the bankers of the world.

For I believe firmly that the problem which we have tried to solve which seemed in the crisis, in the intense moment in the war, beyond the solution of human brain, that that solution now has come to you. We have spoken of yesterday. We have quarreled over the past. We know the mistakes of our own country only too well in these years. We are not out of this, Mr. President, because we did not know; it is because we fumbled in these years.

But it is tomorrow of which we speak and I return to my post with all that is ahead, with a feeling that back here the problem now reaches the banker and business man of the reorganization of this broken world, for we cannot build ideals upon anything but a firm financial and commercial foundation.

It is going to be solved in the next year. I am not one of those without hope, and it is going to be solved by the level-headed, steady business man and banker of these different countries, who meet calmly, without political prejudice, to consider as you consider on your bank boards, the hard, practical questions of the day. That is where the settlement is going to come, in my opinion, and the world turns to you instinctively now.

I did not come before you to make a speech, but I came simply to say this: My associates and friends, the people who are not emotional are the people who have expressed themselves once in a crisis in this country when all our country seemed set on fire, swayed by

political parties. It was the bankers who came together and forgot everything except the economic question and saved our country from financial disaster and ruin.

So when we meet these problems of tomorrow, I am sure that when you make your own decisions, when you decide how this reconstruction will take place (and your President has well said that it cannot take place; the balance cannot be redressed without America and America does not wish it to be done without her) when that time comes, I am sure that the one great practical problem will always be recognized by you outside of political party, national interest for the adjustment which is necessary for the world to go forward.

We are like a great express train on a railway, ready to move and carry the express, the freight of the world, but there are three or four bridges out and they have got to be put in and America has got to help to do it. America is willing and is now making the plan and making the way.

I beg your pardon for saying so much, but when your President so kindly asked me to come here for a moment and face my old associates and friends I could not resist, but I go back, as I said in the beginning, with the feeling that assembled in this room this morning is the ability, the patriotism and the desire to make a plan together with other strong men who are outside of the political influence, to make a strong reorganization plan that will carry us out of the difficulty and enable us, after the loss of the millions of men, enable the world to reap the fruits of that victory which we shall very soon lose unless this is done.

It will be done, Mr. President, and I have high hope in the future. We are realizing now that this is the only way that it can be accomplished.

I thank you very much, Mr. President, and I bid you a very affectionate good-by. I ask you all to come over (I see a great many of you over there) and spend a week-end with me.

Outlines of Committee and Sectional Activities

THE Convention next listened to brief reports on the progress of the work of various committees and departments of the Association:

Committee on State Taxation

By THOMAS B. PATON,
General Counsel American Bankers Association

In the absence of Ernest J. Perry, Chairman of the Committee on State Taxation, I will not endeavor to read this report, but will give a brief summary.

The report relates to the state taxation of national banks. The national law which permits the states to tax national banks is contained in Section 5219 of the Revised Statutes, which has been the law for over fifty years, and that limits the states in the taxation of national banks to the taxation of the shares at no greater rate than upon other moneyed property in the hands of individual citizens.

That is a limit really on the taxation of all banks, not only national banks, because no state will tax state banks at a higher rate than they tax national banks.

After fifty years of existence, a few of the states which had adopted classified systems of taxation, endeavored to tax certain classes of other moneyed capital, known as intangible, at a lower rate than they taxed national bank shares, and the Supreme Court of the United States held that that lower rate of taxation was not permitted but was a discrimination against national banks.

As a result of that, the tax commissioners of some nineteen states in which they had these classification systems, went before Congress and endeavored to have Section 5219 amended so that instead of the protection to national banks being as at present, the states should be

permitted to tax national banks at the same rate that they taxed state banks. The effect of that would have been to put all banks in a class by themselves for the purpose of taxation, and to enable the states to tax all banks as high as they pleased without any protection against over-taxation.

The Committee on State Taxation and a special Committee on Taxation, of which Mr. Sands is chairman, and the Committee on Federal Legislation all cooperated to oppose that legislation. We did oppose it before the House Committee and urged the retention of Section 5219 as it stands now with the exception that if it were necessary to extend the principle of that section to income taxation in any state, we would agree to that.

This report will show that after a long fight before the House Committee on Banking and Currency, they sustained the contention of the bankers and reported a bill which would amend Section 5219 by retaining the principle that the taxation should not be at a greater rate than other moneyed capital in the hands of individual citizens and extending that principle to income taxation.

That bill went to the Senate and Senator Kellogg of Minnesota introduced a bill in the Senate on behalf of the tax commissioners which was virtually the same proposition as they had advocated in the House, and there the matter still remains.

The outlook is that we will be enabled to maintain the principle of Section 5219. That is about what is covered in this report.

Committee on State Legislation

By CRAIG B. HAZLEWOOD
Vice-President Union Trust Co., of Chicago

Only eleven states have held regular sessions this year. Six measures recommended by the American Bankers Association have been passed. Your Committee on State Legislation has had two meetings, one at White Sulphur and the other one here, and recommends to you the following legislation:

First, a bill to permit time limit on stock payments of ninety days, unless renewed. That was passed in Oregon in 1921 and is recommended by the General Counsel, approved by the Executive Council.

Second, payment of checks. We recommend a bill, a draft of which is to be made by the General Counsel, giving a bank the option to refuse payment of a check presented one year after date.

The third recommendation is as to the legal effect of check certification and was brought about by the decision in Illinois of the National City v. the National Bank of the Republic. This is an amendment of the Negotiable Instruments Act, to be drafted by the General Counsel to safeguard banks from risk of loss in the certification of altered checks, with some such certification stamp as "Certified unless altered since issued by the maker."

Fourth, protection of innocent purchasers of checks given for money lost in gambling. This is an amendment of the Negotiable Instruments Act, recommended to be drafted by the General Counsel to protect innocent purchasers from defense of maker, that check is void.

We now have been able to effect some progress in the matter of a uniform fiduciaries act, and we recommend the enactment of state legislation with the purpose to relieve banks and other persons from burden of inquiry on taking paper drawn or indorsed in fiduciary capacity, as with the good faith of the fiduciary. The common illustration of that is that when your bank is presented with a check signed by the officer of a corporation and payable to that same officer, you are now bound to inquire regarding the propriety of that payment, whereas it is suggested that the banks should be under no such necessity and not bound to inquire as to the origin or cause of that payment.

Adverse claim to deposit. We recommend legislation similar to that passed in Mississippi this year, to protect banks in case of notice of adverse claims of deposit which need not be recognized unless backed up by restraining court order or surety bond.

We have devoted considerable time this year also to the consideration of the laws and regulations regarding building and loan associations; and we have conducted a referendum to see if in the various states there is need of some additional regulation so that the business of those building and loan associations may be conducted in a proper manner and under terms of fair competition with banks.

The gist of the recommendations that have been put forth by the members of our committee may be put down here in just seven headings. In short, they are:

First—Forbid employment of promoters and professional organizers in relation to building and loan associations.

Second—Restrict the granting of charters in the same manner as now exists for banks.

Third—Where demand deposits are accepted from the general public, similar researches should be required as are accepted of banks.

Fourth—Draw sharp distinction between a true building and loan association and one using methods of an ordinary savings bank. The latter is not entitled to tax exemption, Federal or state, and should be forbidden to advertise accordingly.

Fifth—Restrict loans on real estate to a radius of fifty miles.

Sixth—Insure equally effective supervision as is now exercised over banks. Give the department officer in charge broad discretionary powers to regulate and control associations under penalty of revocation of charter.

Seventh—False and misleading advertisements in regard to demand accounts and high rates of interest should be forbidden by law.

We recommend that this question of the consideration of the regulation of the building and loan associations be left to the State Legislative Committee, together with such other associations and divisions in the big associations as may be interested, for further consideration and further report.

Committee on Federal Legislation

By A. E. ADAMS

President First National Bank, Youngstown, O.

The activities of the Committee on Federal Legislation have been many and varied. The United States has been suffering a very serious case of undigested prosperity. And political and financial doctors, both amateur and professional, have been offering nostrums and tonics and metaphysics in great volume.

We are passing today in the United States more laws than are being passed by England, France, Germany and Italy combined.

In this session alone there have been over 15,000 bills introduced. The report of your Legislative Committee is in print. It is a very voluminous one. It would be impossible for me in the time allotted to even mention the outstanding features of that report. I am going to ask leave to file it without reading, and I am going to take the two minutes still left to me to make public acknowledgment of the debt of the Association to its Legislative Council, and to many of the legislators with whom we have had to deal in Washington.

The work which has been done by the Legislative Department of the Association would have been utterly impossible but for the splendid cooperation of the members of the Legislative Council, who from coast to coast have responded whenever called upon loyally, promptly and willingly and have helped prepare the ground in Washington so that the work of the committee has been lightened.

In addition to that splendid cooperation we have received the most pleasant and sympathetic hearing and consideration from the legislators themselves. It has been mentioned from this platform this morning that bankers sometimes feel that anything they advocate is going to be opposed by the political forces of the time.

We have had no such experience. Washington has listened, Washington has welcomed, and Washington has given us a fair hearing in every case, and I wish to make here and now public acknowledgment of that fact.

Another acknowledgment which I wish to make is with respect to the work of your own Legislative Department. You are an exceedingly fortunate body, gentlemen, in the character of this organization. This report which I have asked leave to file is a splendid report. I say that without any fear of showing bad taste. It was written by your General Counsel, Judge Paton, and the Association is to be congratulated upon being able to command the services of a man who is so well fitted as he is.

Your Legislative Committee, gentlemen, has been criticized a little bit during this season for what some people have called an uncompromising attitude. For whatever extent the attitude of this committee has been uncompromising, the committee itself has no apology to make. It has not been uncompromising in matters that did not involve principles, but it has taken the stand from the beginning

that the American Bankers Association could not depart, even by implication from sound principles in the matters for which it stood.

It has acted upon that idea and it has stood four-square from the beginning of its work until this moment and will so long as it continues to exist, for legislation that is sound in principle.

American Institute of Banking

By ROBERT B. LOCKE

President of the Institute

The Institute welcomes an opportunity once a year to have five minutes in which to tell you all about it. This year we will divide this report into about three one minute sections, one concerning figures, one an appeal and third a declaration of principle.

A year ago we reported to you a membership of 44,903. This year we report to you a membership of 50,692, an addition of 5,789 members.

We also report to you that there are at present approximately 22,000 bank men in this country pursuing our educational work. We also report that during the year we have added twenty-two new city chapters, making a total of 111 chapters now in operation. We also report that during the year we have issued 636 standard graduation certificates, making the total number of Institute graduates at present 4,391.

We have also issued this year to the younger men 2,657 elementary banking certificates, making total outstanding elementary banking certificates 4,867.

The appeal: From my observation it is my firm conviction that the greatest problem the Institute has at the present time is that of securing men of sufficient ability to administer its affairs. It is no boy's job to run an organization of 50,000 members divided into 111 cities spread all over this country. There is too much tendency in some quarters for bank officers, especially senior officers, to discourage their better men from taking an active part in the Institute.

We want your best men. It is only natural that the Institute in casting about for men to hold its offices, both national and local, that they should want your best men and none other, and it is also natural that your best men are the men you can least spare, but the Institute is something more than the individual. We do not care how much sacrifice it takes upon your part to give these men to us, we must have them because the Institute is doing more for you than it is for any individual.

Now the declaration of principle: That is best given in the closing words of our resolution as adopted at Portland, Oregon, in July of this year:

"Whereas in a democracy such as ours, where the people control the power of rule, where public opinion dominates and where if public opinion be based upon fallacious and unsound conceptions of economic principles, disaster surely follows, and where the blessings of a democracy will flow only in so far as its government represents the rule of the intelligent and cultured people,

"Be It Resolved, that we as citizens take the position that there is a definite and vital need of appreciation on the part of our citizenship of the immutable fact that economic laws will in the end have their effect, that the adoption of punitive or arbitrary methods will in reality retard development and contribute to waste. That we as citizens are opposed to class group interest or sectional demands. Furthermore, that the world is an economic unity, that we stand four-square for economic statesmanship and pledge ourselves individually to cooperate to bring about a broad comprehension on the part of the people that neither this country nor any other can be safe in the hands of democracies unless the great majority of its citizenship is capable of giving intelligent consideration to economic problems."

"The whole scheme of progress is based upon the development of the individual and the application of its powers to the task of living a life."

"Be It Resolved, therefore, that as an organization we stand for the broadest possible study of economics in our classes, for straight thinking in the public forum, for the full appreciation of Ruskin's view—that the wealth of a country is not to be measured by the material possessions but by the powers and qualities of its inhabitants."

State Secretaries Section

By ANDREW SMITH

Secretary Indiana Bankers Association

A very noteworthy achievement this past year for which the Secretaries Section is largely responsible was the passage of an amendment to the revenue law permitting banks to make deduction from net income of taxes paid for shareholders. Our Section has made a very earnest effort again this year to induce the Treasury Department to provide a simplified income tax return for banks. Thus far, however, we have not been successful, but hope in the near future to announce that a desirable simplified income tax return for specific use of banks has been adopted by the Treasury Department.

Very close cooperation has been given the American Bankers Association Educational Committee by the Secretaries Section, and through our respective associations very definite constructive plans are being laid for the furtherance of this important movement. Our State Secretaries have given valuable assistance in regard to Federal legislation affecting banks, particularly in helping defeat an amendment to Section 5219 of the National Bank Act regarding taxation.

Our Committee on Insurance is striving to hold bank insurance rates down to a just and fair basis. We have requested the American Bankers Association Insurance Committee to report the findings of their investigation to the Executive Council regarding the question of rates. This information in turn is to be given to the State Secretaries.

The State Associations are cooperating with the Protective Department of the American Bankers Association enthusiastically and are happy when they can serve the American Bankers Association in any way.

PRESIDENT McADAMS: Permit me to take this opportunity to testify to the wonderful effectiveness of the cooperation which has been rendered the American Bankers Association by the various state associations through their presidents and secretaries. I believe that we may fairly say that during the past year we have seen more evidences of close co-

operation and more practical results from this Association than has ever been true in the past. The growth of the power of American banking lies not solely in our Association, but also in developing the closest possible working relationship with our state organization.

Clearing House Section

By JAMES RINGOLD

Vice-President United States National Bank, Denver

The Clearing House Section has just closed the sixteenth year of service to its members, the most successful in its history. Following the principle laid down by the officers, the Section has since its inception endeavored to be of service to the banks of the country by promoting the clearing house idea; in this it has met with unusual success.

At the Los Angeles convention last year 274 clearing house associations held membership in the Section. Since that time 36 new associations have been organized—33 active and three inactive—increasing our membership to 310, the largest in the history of the Section.

In addition to furthering the clearing house idea, special efforts have been made to interest as many cities as possible in the clearing house examiner system, which has been operating so successfully in many of our larger cities. President Crane, in his annual report at Los Angeles last year, stated that twenty-three cities had such a system of examination in operation. During the year we have increased that number to thirty-one, a gain of eight. The Portland, Ore., Clearing House Association, after a lapse of five years, has reinstalled the examiner system. This, I believe, is the best recommendation to those cities that are without it and who are contemplating installing it during the coming year.

As a step toward the examiner system, we also have been advocating to the associations throughout the country the Bureau of Credits idea. It has taken hold in many cities and operating most successfully, and has proved a most valuable aid to the members.

Our Numerical Committee, which has rendered such valuable service in the past in promulgating the use of the numerical system, is now working out a plan which will provide for a uniform method of designating branch banks by a numerical number in cities where banking institutions have one or more branches.

At present we are cooperating with the Federal Reserve Board to the end that a uniform amount for the no-protest symbol may be adopted and we are hoping that they may be in favor of the \$20 minimum.

I wonder if you all realize what the year's accomplishments of the Section mean to better banking. We, the officers, feel gratified over the number of new clearing houses organized as well as the number of cities adopting the examiner system and are looking forward to the coming year, believing the Section will be able to render as great if not greater service to its members.

Trust Company Division

By J. A. HOUSE

President Guardian Savings and Trust Co., Cleveland

The work of our Division this last year has followed along pretty much the same lines as those in previous years. We have extended the scope of our work and the service to our members very materially, however. Legislation, both national and state, continues to occupy the attention of our committees. We have one known as the Committee on Standard Federal Legislation. We also have a committee known as the Committee on Cooperation with the Bar, and this subject is becoming increasingly more important as trust companies realize that they must have the friendly cooperation of the lawyers in their business, and we believe in cooperation rather than in fighting them.

This is increasingly important because of the fact that so many state and national banks are now taking on trust power, so that it behooves all of those who do a trust business, whether they are trust companies, state banks or national banks, that they cultivate the friendly cooperation of the members of the bar.

One of the activities to which I want to call your attention, that the trust companies have been engaged in the last two years, is through the Committee on Publicity. We have been conducting a national advertising campaign. The members of our Division have paid in in the last two years something over \$115,000, which has been expended in national advertising, using the national magazines. We have received very satisfactory results from that activity. There have come in to the New York offices over 10,000 inquiries from that publicity alone, and that does not take into account all the inquiries that have come in to the local companies throughout the country.

The resources of the Trust Company Division are something over twelve billion dollars. We haven't the latest figures for this last year—we expect them later in the day. There are 2,643 active and associate members in our Division. When we say our resources are twelve billion dollars, we do not take into account the resources of our Trust Departments. They would be many, many times this figure without question if those figures were available. The work of our Division is going along very quietly, smoothly and very efficiently.

Savings Bank Division

By RAYMOND R. FRAZIER

President Washington Mutual Savings Bank, Seattle

The Savings Banks Division realizes that its chief duty is to its great privilege, namely, that of devising and promulgating approved methods of popularizing the savings habit among all classes and all agents. We set out this year to find a basis for a little more joy in thrift work. For many years long-faced teachers and preachers have

been telling us that only 100 out of every 1,000 of Americans have savings accounts. We have known that this was wrong, and because we believed in the efficacy and in the value by way of inspiration of reliable statistics, we set out to find out what the facts were, and we are reporting for the first time that instead of there only being about 100 out of every 1,000 of our people with savings accounts, as a matter of fact when you consider the national and state banks and trust companies, we have 250 out of every 1,000 Americans with savings accounts, and it is said that the savings deposits aggregate only about \$7,000,000,000, but they actually aggregate something like \$14,000,000,000, which is 40 per cent. of all the deposits in all the 30,000 banks of America.

The full report of the activities of the Savings Banks Division has been compiled and will be printed. I will therefore file the report and ask you to read it if you are interested in the work.

National Bank Division

By JOHN G. LONSDALE

President National Bank of Commerce, St. Louis

There are 8,197 national banks in this country with combined resources totaling more than \$20,700,000,000. This total is constantly on the increase even amid varying economic conditions, indicating the steady and healthy growth of the members constituting the National Bank Division of this Association.

There are 1,595 national banks with trust departments, and 5,785 national banks with savings departments, representing 8,875,088 depositors and total savings of \$3,046,647,000. Attention to the interests of member banks, including specialized service pertaining to these new departments, and the increasing popularity of the Washington office as the bankers' point of contact at the national capital, are responsible for an ever-expanding program in the division.

The extension of national bank charters over a period of ninety-nine years instead of twenty years has been one of the prominent features of an exceedingly active twelve-month in legislative affairs.

In keeping with the principles of this big Association, the national banker as an individual has tried to lend himself to the solution of problems affecting the community and the nation. In tribute to the banking fraternity as a whole, let it be said that this participation has been with credit.

As far as divisional policies are concerned, considerable attention has been given to securing equal privileges for national banks. We are fully appreciative of the wide importance of this subject. The National Bank Division believes that an epochal point was reached when the administration of the American Bankers Association, acceding to the demands of members and the press, placed for consideration the year's most pertinent banking questions before this, the banking parliament of the nation. It is no jeopardy to a cause to have it frankly discussed among fair-minded men. To meet fairly and squarely the real issues

in banking life, rather than editing them out of our sessions, is a praiseworthy departure.

In striving for business justice, the National Bank Division creates no precedent. It is the custom of freedom-loving people to seek impartiality. No matter how divergent the immediate interests of various classes of banking might appear, the nation's financial practices, in soundness, are one, and this association should always be supreme as representing the combined progress of American banks. It is at once apparent that the American Bankers Association must proudly husband such a privilege and warrant this affluence of authority in the future as in the past by courageously and fearlessly meeting the paramount banking issues.

We are just finishing one of the most eventful and interesting years in banking history; a period during which the banker, perhaps of necessity, has gotten closer to the actual trend of affairs than ever before.

The fact that today we stand upon the threshold of what is generally conceded to be the beginning of an era of sane business expansion is due to the fortitude and sagacity with which the banker assisted in the salvaging of the American business.

In these adjustments, the public gained a more enlightened viewpoint of the necessity of banking and the importance of the banker in the economic scheme of things. The public, in consequence, has learned to expect wholesome leadership from this seasoned source and it becomes a solemn duty to respond. On the other hand, the banker has become a man of many parts. He is better equipped than ever, because experience with his varied foster children acquired of the depression has enlarged his capacity and extended his horizon of interests.

Banking has become a dominant world factor in the process of restoration. It takes a truly great and active organization to represent such interests. No course of vacillation, postern policies or recumbency will suffice in such a contingency. The prudent inclination to meet this ever-increasing opportunity for service on the part of the Association is undoubtedly fully appreciated.

It is therefore but natural in view of such responsibilities that this Association should augment its conception of service, discarding the comparatively inconsequential policies of an interior organizational nature, and fastening their aims to the more vital purposes of banking and community benefits—a course leading, through mighty initiative and corresponding accomplishment, to unlimited influence. To this end the National Bank Division pledges its undivided time and whole-hearted support.

State Bank Division

By H. A. McCauley

President Sapulpa State Bank, Sapulpa, Okla.

For the past year the State Bank Division has directed its activities more particularly in legislation to the securing of uniform legislation for the banks

throughout the forty-eight states in which we have to operate. That applies merely to the state legislation for state banks. For national legislation our efforts have been directed toward securing that which would give to state banks as well as all banks a longer time commercial credit, and for the use of more particularly and more extensively land credits.

In addition to this the question of cooperative marketing has had our attention and we have but begun to work on that and that will take up our time more specially for the new year.

Our membership is practically intact (about 12,000 members), and our assets may have depreciated some during the year just past due to consolidations and to the general depression.

I believe this in substance is Mr. Hecht's report, and what I desire to submit to you at this time. At our meeting yesterday afternoon the report of the Committee on Exchange was made. In addition to that our Section went on record as opposed to branch banking.

Resolutions Committee

President McAdams announced the appointment of the following Committee on Resolutions:

Chairman, M. A. Traylor, president First Trust and Savings Bank, Chicago, Ill.; Vice-Chairman, Fred I. Kent, vice-president Bankers Trust Co., New York City; Raymond R. Frazier, president Washington Mutual Savings Bank, Seattle, Wash.; H. M. Robinson, president First National Bank, Los Angeles, Calif.; W. P. Andrews, vice-president First National Bank, Fort Worth, Texas; H. Warner Martin, President Lowry National Bank, Atlanta, Ga.; J. W. B. Brand, treasurer Institution for Savings, Springfield, Mass.; Rudolph S. Hecht, president Hibernia Bank & Trust Co., New Orleans, La.; E. D. Huxford, president Cherokee State Bank, Cherokee, Iowa; John G. Lonsdale, president National Bank of Commerce, St. Louis, Mo.; Alexander Dunbar, vice-president Bank of Pittsburg, Pittsburg, Pa.; J. A. House, president Guardian Savings and Trust Co., Cleveland, O.; Uzal H. McCarter, president Fidelity Union Trust Co., Newark, N. J.; Clay H. Hollister, president, Old National Bank, Grand Rapids, Mich.; F. T. Hodgdon, cashier Farmers & Mechanics Bank, Hannibal, Mo.; John A. Cathcart, vice-president First National Bank, Sidell, Ill.; Oliver C. Fuller, president First Wisconsin National Bank, Milwaukee, Wis.; H. A. McCauley, president Sapulpa State Bank, Sapulpa, Okla.; Waldo Newcomer, president National Exchange Bank, Baltimore, Md.; James Ringold, vice-president United States National Bank, Denver, Col.; Jesse C. McNish, president American Bank, Sidney, Neb.; Carter E. Talman, President American Institute of Banking, Richmond, Va.; D. M. Armstrong, vice-president Commercial Trust and Savings Bank, Memphis; Edgar L. Mattson, vice-president Midland National Bank, Minneapolis, Minn.; Chas. S. McCain, Bankers Trust Co., Little Rock, Ark.; Walter Lichtenstein, Secretary.

Public Health Assets

By DR. GEORGE E. VINCENT
President Rockefeller Foundation, New York

IN the older days when a layman addressed a body of bankers, he always introduced one epithet at the very beginning, and that epithet was one which caused smiles of satisfaction; you could almost hear the purring of contentment. That epithet was *hardheaded*. If there is anything the American business man and American banker likes to be considered it is *hardheaded*. What does it mean to be *hardheaded*? To be *hardheaded* means to have the kind of cranium into which a ready-made idea cannot be inserted when its owner is not looking. To be *hardheaded* is to have one entrance to the mind and to be always on guard, examining, analyzing and admitting voluntarily those ideas which seem to fit into one's philosophy of life. You like to be considered *hardheaded* still, I fancy, but there is another quality that I believe is still more important to every individual who accomplishes anything in this world, and that is *imagination*.

As I have listened to the addresses this morning I have been interested, as an outsider, to see the degree to which the imagination has been appealed to. Mr. Lamont was appealing constantly to your imagination, to your imagination which he wanted expanded to include not only the large interests of this nation, but expanded to include a vision of the whole world, of which we are only an organic part, which we cannot consider apart from the rest of this great, quivering, distracted whole.

Your President, in that inspiring address of his, was constantly appealing to your imagination, as American citizens, as having responsibilities.

Appeal to Imagination

I will appeal for a little while to your imaginations and to your *hardheadedness* in the interests of one of the most disagreeable subjects that has ever presented itself to a public audience. I am going to talk about "*Health*." How we dislike the discussion of health. We are in perfectly vigorous condition. What we like to do is to violate the laws of health. I have not the slightest doubt that almost all the people present before me will violate the principles of personal hygiene at luncheon. I have not the slightest doubt that they will take pleasure in this. We talk about the pathetic cases of women in the slums who boast about the ability of their children at three and four months to consume pickles and coffee with apparent immunity, but, after all, every human being likes to boast about the marvelous capacities of his digestion. It is only when we become the victims of our indiscretions that we then go to a sanatorium where we enjoy swapping symptoms with other people who have been compelled to visit the same place.

We get so much pleasure out of ill health that we don't like to hear about health. Moreover, it is the obvious things in the world that tire us. All the im-

portant things are the obvious things. All the fundamental things are the things that we know all about and hence to which we give almost no attention. In the development of science man began with the distant stars and only in recent decades has he arrived at his body and his mind. Our knowledge about ourselves is so rudimentary that the extraordinary condition of society can be attributed in no small degree to our ignorance of what we are like, ignorance of ourselves, ignorance of other people.

So I do not apologize, I simply have the opportunity to impose upon you and I am taking advantage of it. I want to enlist your interest in behalf of this tiresome subject of public health. But you say that there is no such thing as public health. You are outstanding individuals. You don't believe in merging your health with anybody, but after all, there is such an idea as public health.

New Ideas

How do you know you are well or not? You cannot be sure until somebody has taken your temperature, and then when the result is announced you cannot be sure that you are well until you discover that that temperature practically coincides with the temperatures of millions of people that have been taken all over the world. You cannot tell whether you are well until you have compared yourself with the rest of society. "Oh, yes," you say, "you have internal evidence." Yes, to be sure, you have what is called a symptom. You have a pain. But if you were to discover in every individual with whom you came in contact precisely the same pain in the same spot, then you would know you were perfectly well, because, after all, the standard of health is the average condition of the community.

We have been getting new ideas of health. We began by the idea that if you were up and around (I suppose you have heard that expression when you asked someone in the old days, "How are you feeling?") you were well. Of course, now we have such interesting conversational subjects that we no longer resort to these shameless devices, but in the old days we used to say, "How are you feeling?" and the reply was often, "Oh, I can't complain."

What an inspiring conception of full, vigorous health that was! or, "I am so as to be about." There is something stimulating and inspiring!

The idea that the difference between health and disease is horizontal and perpendicular, or vice versa. We cannot get very far with that, but the first idea of health is freedom from actual limitations, freedom from pain—we are getting a long way from that. We are going on to the next stage when we regard health as something which involves a sense of full vigor, full vigor of body, and inevitably full vigor of mind. What we are holding up (those of us who are in-

terested in this field of public health) is an enlarged conception of public health. Public health not only as a means of importance to the individual, but public health as fundamental to the stability, the prosperity, the progress of a nation.

We are interested in stocks and bonds, in the material things for which we stand. We boast about plants and machinery; but after all, the most important machinery in this world is the machinery of that complicated mechanism known as the human body, because inseparably associated with this physical body is this sort of termination at the upper end which we by courtesy call the brain and with which we associate certain ideas, certain capacities, certain abilities to bring things to pass. There can be no sound thinking except among a body of people who on the whole are in sound physical condition. I don't mean to say that now and then an invalid cannot be of very great importance, because the history of literature, the history of art shows that there are exceptionally diseased individuals who have made great contributions, but the moment you begin to generalize disease into millions you are confronted by an entirely different situation, and it is a sound and safe principle that only in a great nation which is physically sound can you expect to develop the right spirit, the right sanity, the right loyalty, the right coherence, to make a nation truly strong and truly great.

Progress of Fifty Years

Things have been accomplished in these last few decades. They have been accomplished by two things. They have been accomplished by medical science and medical discovery. We know a great deal now that fifty years ago was unknown about disease. We know that the great menace to the vast majority of individuals comes from bodily parasites that are invisible, but bodily parasites which exist just as truly as though they could be encountered in the public streets as obstacles to public traffic.

There are some people in this world who imagine that just because they cannot see things with the unaided eye those things do not exist.

There are people in this great and enlightened country of ours—and when we talk about how great and enlightened we are, let us not look too closely at the patent medicine advertisements in the newspapers or listen too credulously to the constant absurdities that are floating through every community with regard to the nature of the human body and the nature of the parasitic diseases which play upon it.

If you need *hard-headedness* in banking business you need *hard-headedness* when it comes to medical facts.

Do not, I beg of you, give way to any of the absurdities of the day; if you want to get the facts, appeal to those who represent scientific authority and prestige

just as you do in every other department of business.

Investigate

If you are engaged in looking up a bond issue with reference to a public service corporation, do you send around to somebody who is interested in esthetics and who would like to look at such a wonderful thing as the plant, and then comes back and tells you it is all right? No, you employ a technically trained engineer, and you base your business decision upon what that engineer tells you. Are you going to be foolish enough to play fast and loose with this delicate mechanism of your body on the strength of popular magazine articles, or what somebody else tells you? Use your hard-headedness not in a specialized way but in a general way in life. That is one of the great difficulties. You can be awfully hard-headed about one thing and absolutely glib about everything else in the world. Hard-headedness is a specialized quality and what we need very largely in this country is the development of hard-headedness with regard to all the essential intricate and technical things of life.

Until we recognize our own ignorance, and then, at least have the ability to pick out the technical experts whom we can trust our hard-headedness will be of very little service to us, for it is very likely to develop into the close-mindedness which is a very different thing; into obstinacy, ignorance and prejudice which are absolutely fatal to intelligent action of the individual and wise policy in the community.

So I urge upon you the importance of verifying medical facts; when you hear that somebody has been given up by all the leading physicians, ask for the names of the leading physicians, ask for their addresses, ask from medical authority whom you trust, whether this is a leading physician or not. That is the sort of thing you would do in business. If anybody turned up with a check and told you that he was all right and had a large account and would you please cash his check, you have (I think it is called good banking), principles by which you attempt to identify him and learn something about his probable resources.

Not Cashing for Strangers

Are you cashing checks for a lot of people on their own faces without finding out what their standing is in the scientific and technical world which they profess to represent? Hard-headedness is an admirable trait to allow to spread over all of life when we come to deal with fundamental facts.

This progress in public health then has been brought about by a very remarkable development in scientific investigation, and in medical research. These scientific men are going back to Pasteur as one of the great leaders in France, and to Koch in Germany, as leaders in this great modern movement in bacteriology, the result of which is that the parasites, the tiny microscopic parasites for the most part that are the cause of contagious diseases have been identified, and means

of combatting them have been discovered, vaccines and sera have been elaborated, and by these devices it is now possible (and it is being employed in all leading countries) to limit the spread of contagious diseases.

Every community has a fundamental responsibility for the control of the environment and for the control of contagious diseases, and there has been developed another group of men, men whose business it is to apply the practical results in a practical way, the results of scientific investigation. So we have developed public health officers.

Public Health Officers

There is in the United States a very considerable number of these public health officers. Many of them have excellent training, many of them have trained themselves because they have a fundamentally sound medical education and through experience they have made themselves good public health officers.

One of the most important things that now has to be accomplished in the United States is to make careers for men and women who devote themselves to public health, and there we are at once confronted with the difficulty of local politics.

You live in communities where you exercise a good deal of influence. You are willing to admit it privately; you are too modest to admit it in any other way. Use your imaginations for a moment. There have been pleasant things said to you this morning about the power which you exercise and the responsibility which goes with it. As I have been sitting here, looking on in a kind of an objective way, I have let my imagination play with the situation. I know a good many parts of this country, and I can imagine myself being up in a balloon or an airplane and looking down upon this broad land of ours today in this autumn sunshine. My imagination has played with you and with the great system which you represent. How it ramifies to every part of the country!

I can see the little banks up there in North Dakota and in northern Minnesota, where I used to be at home. I know the two banks there and how the town is pretty well divided between the influence of those to banks and the two bankers. How interesting it is to interpret a community in terms of the social, economic and political influences of the two banks. I even know of places where there is only one bank, but then, of course, there is another bank over yonder that belongs to the same group, and there is a still further bank yonder. And then in the large places I can see more of these banks, and as you get toward the centers they grow thicker and thicker, and the spots that represent them grow bigger and bigger with their capital and influence; and then how they are all held together by these delicate lines which represent the radiating influences which are exercised through this great system. What a marvelous system it is! It is almost like health. We are so used to it that we do not think any more about it. But if you detach yourself from it, what a marvelous thing it is. Is there

anything comparable to it in all the invention of human mechanism? Is there anything comparable to this banking system, which not only prevails in our own country but with its ramifications and networks covers almost the entire globe?

Bankers' Influence

How much influence you exercise. Oh, you are modest about it, but you give advice to people; and you have influence in your communities and collectively you have influence. What a tremendous influence it is! There are some people who are unkind enough to say that you do not always exercise it in the public interest. You have heard about that, but it is hard to be misunderstood. Actuated, as you are, by the noblest motives, you find it difficult to believe that anyone could traduce you in this way. You have to bear up; that is a test of your character; your ability to endure misunderstanding from your fellow citizens, but you see it is acknowledgment of your power. If you did not have much power and if you could not exercise any of it that you did have, people would not be afraid of you in the slightest degree; they would make the most pleasant addresses to you that you could possibly imagine.

Sometimes arousing a little misunderstanding on the part of your fellow citizens is an acknowledgment on their part of the extraordinary power you possess, but, as Mr. Lamont and as your President both said, there goes with that power responsibility, and I want to bring home, if I can, to each one of you men, in your own community first of all, that you have a responsibility for public health. What do you know about the health conditions of the community in which you live? Do you know what the death rate is; that is, how many people per thousand die each year? Do you know how that compares with other cities of the same size as your city or of your town? Do you know how you compare as a state with other states? Do you have the bookkeeping of public health in your minds? You are great on accounting. Vital statistics are the accounting of the public health interests of the communities.

Banker Responsibility

Do you know what the infant death rate is in your community? Do you know what is being done in your community? Do you know what the characteristics and qualifications are of the public health officers in your community? Is there a doctor that gets a little extra for being a public health officer and who has never had any experience, who has a little pull with somebody who has political influence? Is that the kind of public health officer you have?

Until the natural conditions close in upon you, you may not know what the results are, but sooner or later, unless you put your public health activities under the right sort of control, unless you stand for these things steadfastly and courageously, you will find that the assets of your community, in vitality, in energy, in loyalty, are being sapped just because you are not using modern science, and not using the skill and technique which are

available if you have the right kind of personnel.

I listened with much interest to the distinction which your President drew between paternal government and the initiative of the individual. Certainly no one who has seen anything develop in the United States can afford to minimize the value of individual initiative. But we must remember that when it comes to the fundamental aspects of public health which involve the police power, it becomes a governmental function, and every community must see to it that up to that point at any rate the control of water supply, sewage disposal and the control of contagious diseases is in the hands of people who are competent to manage them.

If you will only stand for that sort of thing in the communities in which you live you will build up these ideals in the state, you will build up these ideals in the country, and you will help to contribute these ideals to the world movement for public health.

It is a very interesting thing to see how much has already been accomplished. In England the death rate has dropped in twenty years from 28 to 1,000 in 1900 to 13.1 in 1921. We have made equal progress in this country. Of course, there are various parts of the country that are so healthy that the death rate is pretty good, anyway.

If you analyzed statistics you must remember that in the countries where the average death rate is low the people are generally engaged in agriculture or other outdoor pursuits of the right sort, so you will inevitably have a lower death rate than you would have if you had all the age groups represented in the normal distribution of groups through the ages in an ordinary community.

But it is important for us to remember that there is no immunity which can be counted upon in the rural districts. Do you know that the statistics show that in almost every respect during the last twenty years there has been a relatively rapid gain in public health in the cities at the expense of the rural communities, and there are many rural communities in this country which from the standpoint of death rate and sickness, the condition of children's health is below the slums in great cities. In the City of New York, for example, the Public Health Administration has been extraordinarily

efficient. The infant death rate in the City of New York has come tumbling down during the last thirty years and now represents one of the best figures to be found in any large city of the world.

In the so-called "East-Side" in this city, the slums district in which you would expect the very worst conditions, the public health measures that have been adopted have shown that remarkable things can be accomplished when a community organization secures expert service, takes advantage of improving the knowledge of public health and then applies that concretely and effectively with

and in what splendid and magnanimous and generous way you are going to show your essential desire to set straight the world, have been for the last five years doing a good deal in this international field.

For example, there has been a League of Nations in Central and South America that has been engaged in eliminating yellow fever from the world and has almost succeeded. Mexico recognized us long ago and work in yellow fever has been carried on there under the most favorable conditions and with the best sort of feeling.

Public health work is being carried on by fifty-one nations that are organized under the League of Nations. Far be it from me to suggest anything about the League of Nations. I have no knowledge about politics, or what knowledge I have takes the form of an ignorance which I should not wish to expose in public, but this I know, that fifty-one nations are banded together and they have a Public Health Committee and that Public Health Committee has a sanitary cordon stretching along from the Baltic down toward the Caspian, to hold back the tide of typhus and of plague that otherwise might easily have spread through the central empires into Western Europe and Great Britain itself.

American Money Helped

This is an actual fact that has been accomplished, and I am proud to say that there has been American contribution of money and of personnel to the work of that committee in order that that work which needs to be done immediately, even while you are deciding what should be done economically, the typhus fever and the bubonic plague have singularly failed to

wait for these conferences and other matters, but go on just as though they were not being held. In fact, they remind you almost of other conferences that have been held in Europe.

Work has been done and work is now being carried on in the way of interchange of information. Every week I get a bulletin on my desk which reports the conditions of public health through the League of Nations Committee, the conditions of public health in Europe, and I am glad to say that in surreptitious ways the United States Government Public Health Service is able to cooperate in this same enterprise without commit-



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the right sort of administrative machinery.

But public health has other aspects to which I call your attention for a moment. There has been a good deal said about the international situation, and I am glad to say that while turmoil has been going on and while I did not know that you neglected your duties to the extent that you have apparently, I have the testimony of two eminent bankers to the effect that you have neglected your obligations to the international situation. It may relieve you to know that some of your fellow citizens interested in public health, while you have been deciding just what to do

ting itself definitely to any world organization. Apparently it can be done. This ought to gratify you to know that while you are waiting there has been a little something going on.

Public Health Centers

This idea of public health on an international basis has led to the establishment of public health centers for medical investigation. It has led to the migration of people who are interested in public health.

Yesterday I attended a luncheon at which thirteen men representing nine different European countries who had come to this country to study public health conditions were present, and who after a year will go back. That sort of thing has been going on. There were nearly 200 of them last year, 150 the year before. If this continues for a few years, do you not see there will not be only bankers spread all over the world in relations of good will to each other, but there will be public health sanitoriums and research workers who will in their modest way supplement your efforts to patch this old world together again.

But I would not lay too much stress upon the international aspects. I want to come back, in conclusion, to the responsibility of all good American citizens for preserving the fundamental and most important asset that we have, namely, the physical health, the sound spirit, the loyalty of the great mass of the American people.

Exercise Police Power

Fundamental public health work is absolutely essential. It must be done in local communities. The Federal Government may cooperate in various ways, but after all, it has got to be done in local communities, and it must be done first by the locality organized in its political capacity to exercise police power in the interests of public health administration, and then by voluntary agencies of all kinds.

The American Red Cross, the National Society for the Prevention of Tuberculosis and innumerable other voluntary

agencies that cooperate with public authorities, help to create public opinion and translate that public opinion into wise community action, into sound state policy, into fundamental national procedures which, combined with all that voluntary effort ought to bring about and will inevitably bring about a sounder physical basis for the people of the United States.

Health in Industry

A great deal has been accomplished. Industry has done a great deal. You are familiar with the safety movement. What wonderful things have been accomplished by the great American industries; and now they are beginning to introduce what is called industrial hygiene, which means looking after the health of the industrial population.

I was the other day in one of the greatest of these out in Ohio, a splendid organization, one of the most inspiring that I have ever seen, an organization in which there has not been a strike for twenty years, an organization in which the officers of the company and the men employed seem to be in the most satisfactory relations of mutual good will and mutual confidence.

When I found that they had one of the most elaborate systems of industrial hygiene that I had seen anywhere, I asked the president to what he attributed the success of the scheme. He answered this, and it seemed to me that he showed himself not only hardheaded, but a man of imagination: "Whenever we take on a new man we explain this whole health service to him, and then we say, 'We do this not because we want to be benevolent to you; we do this not because we are patronizing you; we do this because we think it is sound business.'" A man always went away, he said, happy.

We are always afraid somebody is flimflamming when there is too much profession of generosity and solicitude. When somebody is too fond of you you begin to have to exercise your protective powers, because you are afraid that something may come up.

American industry has done a great deal and is setting an admirable example,

and the time will come when an enlightened American industry will think that it is just as important to see that the industrial population is properly cared for, properly safeguarded, as that the machinery is properly looked after. But, vastly more than that, if we are to accomplish that solidarity, that national good will, that common loyalty, it must be on the basis of a wholesome fundamental life in every community and that means not only health protection, but it means positive exercise of every kind, it means playground movements, it means the spread of athletics, it means good housing, it means popular entertainment, it means all the things that go to make up a full, well-rounded life for the individual.

Protection Against Fads

You are hardheaded business men and you have imaginations. I appeal to your hardheadedness to protect us against fad. Do not accept everything that is urged upon you in the interests of public health. I am sorry to say that there are people in the field of public health just as in every other field who are carried away by their enthusiasm, who, without proper and careful study of the fundamental conditions, are sometimes committed to far-reaching programs, the economic and social consequences of which have not been carefully thought out. I therefore make no appeal to you to surrender your critical faculties. Whenever a public health proposal is presented to you examine it carefully, look into it with solicitude, ask expert opinion about it, but when once your hardheadedness is convinced that there is an enterprise which ought to be undertaken, which has a distinct and definite bearing upon the health and welfare of your community, then let your imagination play with it, let your sympathies be loosened and with generosity and with loyalty and with courage and conviction stand for public health as a fundamental asset of the community, of the nation and of the world.

At the conclusion of Dr. Vincent's address the members arose and applauded.

Second Session, Main Convention

Forum on Branch Banking With Opponents of Branches in the Majority. Sir Reginald McKenna's Presentation of the Leading Financial Problems of Europe. Political Considerations, He Said, Must Give Way to Economic Facts. Conditions Affecting Business

THE second session of the convention, Wednesday, Oct. 4, bristled with interest. In this session occurred the forum on branch banking which is reported in full in succeeding pages; the notable address by Sir Reginald McKenna of London; the illustrated address by Fred I. Kent of the Bankers Trust Co. These were preceded by reports on Association work on insurance, agriculture and commerce.

The Insurance Committee

By OSCAR G. FOREMAN

President Foreman Bros. Banking Co., Chicago

During the period covered by this report, twelve months, September 1, 1921, to August 31, 1922, the Insurance Committee has been very active, owing to the number of burglaries, hold-ups and defalcations. The banks generally also have increased their insurance coverage and have submitted their various burglary, fidelity and blanket bonds to the Insurance Committee for inspection, opinions and coverage.

Every member bank that has been burglarized or held up has been written to regarding its loss, with the suggestion that the policy covering same be sent by registered mail to the secretary of the committee for inspection so that the committee can advise the member of the liability of the insurance company. In several of the replies from the banks they have advised that they carried burglary and hold-up insurance, and in a number of instances stated that the policy did not cover the loss. Our secretary pointed out in a number of cases where the policy did cover the loss, with the result that the banks made claim against the insurance companies and the insurance companies paid the claim.

The committee has likewise written to all non-member banks, pointing out to them the advantages they will enjoy by becoming members of the American Bankers Association, and advising them of the services that your committee may perform for them in the adjustment of claims and advice as to policies. Through the efforts of the committee a number of these banks have joined the Association.

In the year 1915 the surety companies got out a bankers blanket bond, which covered fidelity as well as burglary and hold-ups. The same was submitted to the Insurance Committee, and, after some changes suggested by the committees, the form was approved. Owing to the changes brought about by the increase in crimes and questions arising from time to time as to the coverage, the Surety Associations submitted to the Insurance Committee for approval certain indorsements to be used in connection

with the form that would clarify the bond and remove certain ambiguities and state more specifically what was covered by the bond. These indorsements were examined very carefully by our Secretary and the General Counsel and submitted to the Insurance Committee for their action, and the committee approved of the indorsements. These indorsements do not take away any of the coverage that was originally given under the approved form.

The Surety Association also submitted what is known as their Form No. 2 for approval, which is not as broad as Form No. 1, but the rate is very much less. The committee approved of the form but with the understanding that if their approval was to be placed on the bond the same was to state that it was as to form only, but they recommended Form No. 1 in preference to Form No. 2.

W. E. Mellen of J. F. Hayden & Company, Montreal, Canada, submitted, also for the action of the Insurance Committee, certain amendments to the "HAN-C" form of Lloyds blanket bond. These changes first were carefully considered by both our secretary and the General Counsel and then transmitted to the Insurance Committee, by whom they were approved, as it was found they they not only broaden the form but clarify certain ambiguities.

The United States Guarantee Company of New York submitted a blanket bond which it is now writing. This form is identical with Lloyd's "HAN-C." It also submitted the financial statement of the company, together with the names of its officers and directors. These were examined by both our secretary and the General Counsel and then transmitted to and approved by your committee. This particular form is much broader in its coverage than the bankers blanket bond issued by the American companies. In particular it covers the payment, whether received over the counter or through clearing house or by mail, of forged or raised checks or (genuine) checks bearing forged indorsements or the establishment of any credit to any customer on the faith of such checks.

The company will underwrite only 20 per cent. of each risk and the balance will be placed by Mr. Mellen through Messrs. James Hartley Cooper & Co., Ltd., at Lloyds.

Mr. Mellen has arranged for the issuance of a bond for \$25,000 at a minimum rate of \$600 where the number of employees is five or less; \$700 where the number of employees is six to ten; \$800 where the number of employees is eleven to fifteen; \$900 where the number of employees is sixteen to twenty; \$1,000 where the number of employees is twenty-one to twenty-five; for the benefit of the small banks

where the number of employees is less than twenty-five.

At the present time the American companies' minimum rate is \$1,250 and covers twenty-five employees. In other words, if a bank only had five employees they would have to pay the same rate as if a bank had twenty-five employees, which is not equitable.

On the minimum bond the American companies are now writing, they have doubled their rates since 1915. On the larger bonds the increase has been more. The companies have never submitted the premium incomes and losses on this particular bond to the Insurance Committee, but the Burglary Insurance Underwriters' Association, as you know, have submitted both the premium income and losses on the bank burglary and robbery business. With the United States Guarantee Company in the field we hope that other companies will meet the coverage that Lloyds and this company are giving and also reduce their rates. The committee has been informed that there is no connection between the United States Guarantee Company and Lloyds.

Premiums and Losses

Premiums and Losses on Bankers Blanket and Fidelity Bond Business and Question on Reducing the Rates on Blanket Bond.

The committee has taken this matter up with R. R. Gilkey, secretary of the Surety Association of America, and he advises that he will take the matter up of reducing the rates on the bankers blanket bond with the Towner Rating Bureau, and the question of furnishing the committee with the statistical experience on premiums and losses in the bankers blanket and fidelity bonds will be submitted by him to the Surety Association at their next meeting for their consideration and action.

On Burglary and Robbery Business

The committee has been endeavoring to get the premiums and losses of the Burglary Insurance Underwriters Association up to date, but we are advised by H. W. Cluff, secretary of the association, owing to the delay of some of the companies in submitting their figures it will be impossible to furnish the information in time to be embodied in this report, but they will be glad to furnish the information as soon as available. It will be noted in last year's report they furnished the information up to that date.

Burglar Alarm Systems

The committee has been endeavoring to get the report of the Bureau of Lab-

oratories at Chicago, who have been making an exhaustive investigation and tests of the various alarm systems with a view of determining their value and arranging a rate of discount. We are advised by H. W. Cluff, secretary of the Burglary Insurance Underwriters Association, to the effect that the Bureau of Laboratories has not completed the tests as yet, but as soon as it does and the rate of discount is arranged he will notify the committee as to all the alarm systems that have the approval of the Bureau of Laboratories and also the rate of discount.

We have received some very complimentary letters from the banks we have aided and also from a number of the state secretaries where we have been called on and assisted them in insurance matters.

From the letters received from the banks they realize that the committee has been of great service to them during the past twelve months in advising them on insurance coverage and adjusting cases

where necessary with the insurance companies, and every case, with one exception, that was taken up with the Insurance Committee where there was a question between the bank and the company has been settled by the companies on the recommendations made by the committee, which has been entirely satisfactory to the bank.

Relative to the particular case still pending, our secretary has held several conferences with the company and presented the bank's side of the case and the matter has been taken under consideration by the attorney for the company but at the time of writing this report he has not made final decision.

We take pleasure in advising that our secretary has received the hearty cooperation of the insurance companies in bringing about adjustments in the various cases, and they have without any hesitation submitted their entire file for inspection, and in a number of instances, have consulted with our secretary relative to adjustment before any question arose

between the company and the bank as to settlement.

Reciprocal or Inter-Insurance

As a result of a flood of telegrams from business interests in all parts of the country regarding a rumor that the Insurance Committee contemplated going on record as being opposed to reciprocal or inter-insurance, and were to submit a report to the Executive Council, the Insurance Committee of the Association issued a statement to the press denying that the question of reciprocal or inter-insurance would be considered in any way by the committee.

The committee does not know the source of these rumors, but it can be said unequivocally that the committee does not consider it within the province of the American Bankers Association to take any stand on the question of reciprocal or inter-insurance. The Insurance Committee has not received any report or prepared any report on the subject, nor have they contemplated taking any action upon it.

The Agricultural Commission

By JOSEPH HIRSCH

President Corpus Christi National Bank,
Corpus Christi, Texas

WHEN American agriculture this year began to show signs of recovery from the depression there was a noteworthy quickening of cooperative work by bankers' associations and individual banks. Previously it had been a matter of course that various ambitious plans for banker-farmer activities should be deferred in execution while associations and individual banks struggled with the pressing problem of how best to assist the American farmer in the great emergency.

The policy of the commission, which realized the futility of seeking general banker interest in any other subject than that of the immediate crisis, was to continue its campaign of education, constantly urging whole-hearted cooperation for the welfare of the basic industry of the nation.

Conference at Washington

A national conference on the situation in agriculture, called by the Secretary of Agriculture at Washington, in January, proved to be the most representative gathering of the kind ever held in the United States. On the suggestion of President McAdams, the commission met at Washington during the conference, receiving valuable information and inspiration. The chairman of the commission was selected as a delegate to the conference by the Secretary of Agriculture and served on the Committee on Agricultural Credit, Insurance and Taxation. W. G. Edens was also a delegate

and served on the Committee on Transportation. E. J. Bodman of the commission was selected as a delegate, but was unable to be present. It was very gratifying to have the commission thus recognized, as there was necessarily a restriction upon the number of delegates.

Reports of conditions in agriculture presented to the conference were most depressing. The chairman of the commission, however, said at the time:

"A solitary ray of sunshine lightened the black cloud of gloom overspreading the conference. It came from California, the land of sunshine. With practically every part of the country reporting a paralysis in the farming industry resulting from the sale of products at prices far less than the cost of production, the cooperative marketing associations of the West were as a beacon of light pointing the way to a profitable national agriculture."

National interest in cooperative marketing was aroused, this being the one outstanding result of the conference. Its deliberations remain as an interesting textbook to every banker and farmer.

Believing that the proceedings of the conference were of great importance and should be studied by every banker, a special issue of *The Banker-Farmer* was given over to the conference and sent to every member of the American Bankers Association. The commission is justly proud that this special issue evoked a letter of commendation from Secretary of Agriculture Wallace.

Marketing

The most significant movement of today in agriculture is that looking to bet-

ter marketing. When the chairman of the commission addressed the banker-farmer conference at Washington in 1919 he declared that profitable marketing of crops was just as essential as the production of the crops themselves and said that it was a lamentable fact that bankers, generally speaking, had paid little attention to this vital problem.

The situation is different today. Bankers, both by associations and individuals, are making careful studies of the problem of marketing and the plans of farmers to solve them. The business experience and training of bankers is needed by the cooperative organizations which have developed so rapidly and widely. Many of these organizations have prospered; others, notably the U. S. Grain Growers, Inc., have encountered pitfalls. The commission at Washington, by resolution, declared that it was heartily in accord with the principle of cooperative marketing and recommended that bankers make careful study of the plans of the various cooperative organizations with the view of the extension of adequate credit facilities to associations functioning along sound lines. Again, the commission commends to bankers the necessity of their interest in this remarkable development.

Rural Education

Marketing is one of three major subjects which the commission for several years has believed to be of the greatest importance to American agriculture. The

other subjects are rural education and farm tenancy.

There is no argument regarding the necessity for better education for farm boys and girls. Through *The Banker-Farmer* a constant campaign has been waged, calling attention to successful consolidated schools and other plans to improve rural schools.

Tenancy

It was natural that any efforts to increase the number of farm owners in the country would fall into abeyance because of the abnormal condition of agriculture. This subject, however, should loom large in the future work of the commission. The U. S. Department of Agriculture is making a careful study of tenancy and its effects and more light on the problem will soon be available. It is worth while to quote a recent utterance of John H. Puelicher, who says, "The man who owns his home or his farm is in a measure owned by his home or farm."

Dr. C. L. Stewart of the United States Department of Agriculture makes this statement:

"There is danger that the country may be lulled to indifference by reports that the rate of increase of farm tenancy in the United States is rapidly diminishing. It is true that the number of tenant farmers per thousand grew from 353 in 1900 to 370 in 1910, an increase of 5 per cent., whereas from 1910 to 1920 it grew from 370 to 381, an increase of only 3 per cent. When measured on the basis of acreage value, however, the number of rented acres per thousand and the number of dollars worth of rented land per thousand was not only higher than that shown on the preceding basis, but has been growing at much faster rates during both of the decades since 1900, especially during the decade just ended. While the proportion of rented farms increased but 3 per cent. between 1910 and 1920, the proportion of leased property values and of leased acreage increased 11 per cent."

Dr. Stewart holds that in the light of this analysis the tide of tenancy is shown to have continued its upward flow with little or no abatement.

Agriculture at White Sulphur

Due to the loyal interest of President McAdams and your other officers, an agricultural symposium was held during the meeting of the Executive Council at White Sulphur Springs. The feature was the attendance of President Howard of the American Farm Bureau Federation. After hearing statements from representatives of various states as to their past work and future plans, Mr. Howard said:

"I feel better at present on this subject than I have felt for many months as a result of the way you bankers are devoting yourselves to the matter. It promises a great deal for better agriculture in the United States."

Roads

The commission, naturally interested in the development of better roads, has continued to keep in close touch with the highway situation. At its spring meeting it indorsed the action of Congress in continuing Federal aid for the building of interstate and postal and farm-to-market highways under the Department of Agriculture and urged that this policy be continued for a definite period.

Club Work for Boys and Girls

Club work for boys and girls in the latter part of the present year has received a wonderful impetus. Many bankers' state associations are awarding scholarships, emblems and other prizes in cooperation with the extension departments of the state colleges and countless individual banks are engaging in various kinds of club work. The National Committee on Boys' and Girls' Club Work is receiving the cooperation of the commission in its laudable program to extend the scope of this activity.

Club work is only one of innumerable activities conducted by individual banks. There has been aroused a great interest in better livestock and many banks have been prominent in increasing dairying in their communities.

U. S. Dept. of Agriculture

The commission has continued to sustain close and friendly relations with the United States Department of Agriculture. Secretary Wallace in many ways has shown that he recognizes the importance of the banker as an agency with which to reach the farmer. Other leaders in the department have continued to recognize the potential influence of the bankers of the country and to use the commission as an avenue.

The commission has urged upon bankers the importance of obtaining the counsel of the United States and state college of agriculture authorities. The most successful state committees are those which plan their programs in consultation with their colleges. Closer relations are being established between the bankers and these institutions.

Conferences at State Colleges

Conferences between bankers and farmers at state colleges, which were increasing in number and influence, were given up by state associations because of conditions. The Texas Association, however, held its third conference. The Michigan Committee on Agriculture met at the State College of Agriculture during Farmers' Week. Other state committees held conferences with their state college leaders to map out programs.

Activities by States

The commission is glad to report that many state associations, whose committees on agriculture have been more or less dormant, are making plans for organization with constructive programs in view.

A number of committees assign lack of sufficient funds as a bar to genuine work that would be of benefit to the agriculture of the state.

It is worth while to briefly summarize some of the more outstanding work by state committees on agriculture:

Arkansas has made a survey of each of its seventy-five agricultural counties which will be the inspiration for county organizations of farmers, bankers and merchants which will seek to make the farms of the state self-sustaining. The survey shows deficiencies where they exist and is a valuable foundation for constructive work.

At least half of the banks of Colorado are

engaged in some kind of club work. The association is host annually to boys and girls at the state stock show.

Ten scholarships in the state college of agriculture have been awarded by Florida.

Georgia bankers in cooperation with the Country Bankers Association organized the Georgia Farm Market Federation which is believed to be a practical plan to develop safe farming. Georgia has continued its loan fund for students in the state college of agriculture. There has also been an increased interest in dairying.

Idaho has cooperated in club work by furnishing pins and awards of merits.

Illinois cooperated with the state agricultural association on many matters of mutual welfare. Time was given to such subjects as reduction of corn acreage, rural credits, taxation of farm lands, club work, improved farm-to-market roads and reduction of freight rates.

Indiana bankers have been doing noteworthy things in club work.

Kentucky is cooperating in the organization of a state livestock improvement association which expects to include in its membership 400 banks. The Kentucky committee seeks a county agent in each county and will encourage club work for boys and girls.

Louisiana bankers, who played such a leading part in the establishing of a state college of agriculture, now seek to insure sufficient legislative support of the institution and contemplate a program of safe farming, better livestock, elimination of animal and plant diseases and better roads.

Maine's interest has been largely directed toward soil fertility.

Michigan is organized with a committee of ten, one from each group and eighty-three county chairmen. Its program urges assistance in club work, cooperation with farm bureaus, organization of Federal farm loans associations in counties where they are needed, careful study of the needs of each community so as to anticipate essential requirements for loans, better schools, marketing and roads.

Missouri, which heretofore had been chiefly interested in the extension of county agents and better roads, with these projects well along, turned attention to dairying and urged greater interest.

Montana believes that club work offers a great field for bankers.

New Jersey's committee conferred with the state Bureau of Markets and worked out a sound plan for financing packing houses for the fruit growers.

New York's activities have been confined to support of the club work of the state college. Five scholarships for boys and girls in rural schools are provided.

North Carolina adopted the slogan, "For Every Family a Good Milk Cow" and pushed a campaign for more and better cows through posters and speakers at group meetings.

In North Dakota a sweet clover growers' exchange inspired by bankers has been an object lesson in constructive cooperation for better marketing. "Better Stock" is headlined on the North Dakota program.

Ohio's committee issued a series of bulletins to bring about a better understanding between farmers and bankers. These were reprinted in many newspapers. Many farm accounts were distributed and club work fostered. The association sends the boys' and girls' champion stock judging team to the national contest at Atlanta in October.

Oklahoma has arranged with its state college four short courses for farmers to which bankers will see that representative farmers come.

Pennsylvania has made an excellent start on a comprehensive program. Several counties have been organized with banks contributing to funds for aggressive campaigns for better agriculture in cooperation with county agents. Pennsylvania's leaders have sustained close relations with the state college of agriculture and with the county agents. This state is fostering better livestock with the famous Grove City as an example of what it means to a community.

Rhode Island has made a survey of banker-farmer activities in other states and will seek to put a program into effect.

South Carolina assisted in the organization of cooperative marketing associations and campaigns for diversified farming.

South Dakota has urged the increase of corn, hogs, cows, hens and alfalfa.

Tennessee's committee is encouraging club work and the dairy industry among other projects.

Texas held its annual farmer-banker conference at the state college although conditions militated against as large an attendance as in previous years.

Vermont banks have been the majority contributors to a fund of \$1,000 which has been used to promote club work.

Wisconsin's chief activity continues to be the conduct of the banker-farmer exchange by which the farmers of the state, and other states as well, are afforded valuable assistance in the sale and purchase of stock and seed. In co-operation with the state college monthly bulletins have been published, farm account books sold and club work encouraged by the award of pins.

Wyoming has concentrated on club work and encouraging of interest in livestock production.

The Banker-Farmer

The Banker-Farmer has carried on its twofold program of chronicling developments in the field of banker-farmer activity, by associations and individual banks, and by publishing such articles of a general nature as seem likely to be helpful and inspiring. Authoritative mes-

sages from leaders in the United States Department of Agriculture and the state colleges of agriculture have appeared. The single purpose of the publication is to arouse and strengthen the interest of the bankers of America in agriculture and country life.

During the twelve months from September, 1921, to August, 1922, 156,290 copies were published, of which 66,425 were distributed to banks through state associations. Of the remainder, 89,865, the greater portion was obtained by banks for distribution among their farmer customers, believing that this would create a better understanding on their part of the ambition of the banker to do his part for agriculture.

It is the belief of the commission that no class outside of the farmer himself can do so much to bring about a permanent, safe, profitable system of agri-

culture and a contented country life, a goal which must be reached for the welfare of the republic. At no time has the commission lost sight of the fact that the farmer himself must produce efficiently and economically and that unless he does no legislation or marketing facility will insure his property. In the question of credit, marketing and other fields, however, there is a rich opportunity for the banker to give assistance and his interest will be rewarded in the general prosperity of his region.

There is every sign that the time is ripe for more concerted action by bankers' associations and for a widening of the influence on this great association.

To the officers of the American Bankers Association and state associations and to the countless individual bankers who have cooperated with it, the commission wishes to express its gratitude.

President Harding Asks Help

PRESIDENT McADAMS at this point read the following telegram:

"THE WHITE HOUSE

"Washington, D. C., October 3, 1922.

"THOMAS B. McADAMS,

"President American Bankers Association,

"Hotel Commodore, New York.

"MY DEAR MR. McADAMS:

"Public duties and personal cares seem to have combined to render impossible, once more, my acceptance of the invitation to the annual gathering of the American Bankers Association. My regrets are the more poignant, because I hoped to be able to say some few things to your members on this occasion.

"I have so many times expressed my admiration and appreciation of the part which the banking interests played during and following the war that I do not need to remind you of my sentiments in that regard. Rather, I wish to appeal to your great organization in behalf of my conviction that another, a more inclusive, and perhaps a more difficult opportunity of service is today presented to you.

"To the patriotism, steadfastness and right thinking of its financial leaders, the country has owed very much in connection with financing the war, and later in restoring stability, confidence and security throughout our economic structure. The banking community has always cooperated splendidly in dealing with these problems. But today our country, the world, all human kind, are demanding that this cooperation be extended to wider realms; to those social, moral, ethical problems which are crying for understanding attention. They cannot be denied; they grow increasingly insistent. They call for an application of the same spirit of wise and willing cooperation, which is the very basis of the bank.

"I have often thought of the bank as first among modern institutions of social unification. On the basis of a complete confidence in its integrity and aims, it aggregates together in vast, available masses, the scattered bits of credit and resources which otherwise would be unavailable for great undertakings, and makes possible the huge producing organizations which characterize the modern industrial community. We have come to times which require a like aggregation of the social sense, the ethical ideals, the moral inspirations and the best intelligence, in order to promote the true welfare of men individually and in communities. This I have come to regard as the most pressing requirement of our day; and to its accomplishment I invite the assistance of you men who have been foremost among social cooperators. The world is not given to rewarding those who serve it, with opportunities for ease and pleasure. Instead, on those who have been tested and found useful it is wont to place yet greater burdens. To full share in these obligations I am now urgently inviting you. By experience, knowledge and aims, you bankers are peculiarly equipped to render largest service in this wider sphere. It has long been my observation that the leadership of the banking forces in the local community is ever effective and devoted to community welfare; and the same helpful relationship must be maintained throughout the nation, and in the nation's outside relations. Therefore in recommending our people to sane expenditures, to ways of economy and thrift, to the consideration of municipal and national problems in that conscience which builds the temple of confidence, the banking forces must lead, and we must have the wisest commitment to the prudence, the deliberate understanding and the preference for useful service, which make for the security of our people as a whole.

"The banker in extending credits looks not alone to the schedule of his customer's tangible assets. He gives thought also to moral considerations, to those elements of character which constitute the most commanding of all securities. So he is concerned to help develop these qualities throughout his constituency. Every good citizen aspires to the same end, and therefore it is permissible to impose a special obligation on the bankers, organized and trained as they are in such affairs, to take a very special part in this work.

"There is everywhere a disposition to scrutinize, to question, to examine minutely into social and economic institutions, to interrogate methods of human integration and procedure which have been so long accepted as to have seemed axiomatic. We shall gain nothing by charging that this spirit proceeds from malevolence and testifies a disordered state of mind. We ought to recognize that it largely represents sincere wish to improve conditions. History teaches that blind effort to obstruct such movements has often produced momentary disaster, but never prevented ultimate advance. The world is too old, and ought to be too wise, to resort to such tactics now. Rather, its best intelligence should be given to open-minded cooperation in every earnest project of inquiry and analysis which looks to the general betterment. Thus will its most capable leaders help guide society away from pitfalls and dangers, while keeping it moving on the upward path. I count the men of your profession as among such leaders; and I know that whoever can effectively impress you with the full importance of the duty I am suggesting, will find satisfaction in the prompt and eager response which will come to him.

"Most sincerely yours,
"WARREN G. HARDING."

Reparations and International Debts

By THE RIGHT HON. REGINALD McKENNA

Chairman of the London Joint City and Midland Bank Limited, London

"THE relationship between England and America can never be dissolved," said President McAdams in introducing Sir Reginald McKenna. "We are definitely tied together; not only are we interested as a nation in this, but the safety of the whole world is dependent upon this union never being broken.

"The same aspirations, the same language exists in both countries; we look to our mother country for guidance and inspiration. And so it is today a particular pleasure to have the privilege of welcoming to this great convention in America the outstanding figure in English finance. Mr. McKenna has made a record which ranks with the best of those made

by English statesmen. It was his foresight as First Lord of the Admiralty which gave Great Britain a navy which perhaps saved the war during its early stages. Later, as Home Secretary and Chancellor of the Exchequer, he mapped out plans for financing the war which resulted in England being able to care for her financial necessities without having to materially increase her outside debt. It was this foresight which has enabled England to stand straight and true from a financial standpoint during the days of reconstruction.

"It was but natural that with the record he made in public affairs he should have been called to the position which he now occupies. As head of the great London

Joint City and Midland Bank, he represents deposits of over one billion and a half dollars, showing the confidence that the English people have in his institution and in his leadership.

"We appreciate his coming to us today. It is no slight task for a man to sail across the sea for the purpose of making one address, but we welcome him as our friend; we welcome him as a representative of the great nation of which he is a part, and we hope that he is finding his stay here as enjoyable as we are appreciative of the great sacrifice that he has made in order to visit us. I present the Right Honorable Reginald McKenna, of London." The address follows:

WHEN I received the honor of your invitation which I greatly appreciated, I must confess I had many misgivings. I knew it would not be a light task to address an audience whose collective importance in the world of finance is unrivalled. I remembered, however, the cordial friendship which has always existed between American and British bankers, and as I realized that your invitation was a further evidence of this friendship my hesitation gave way and I gladly decided to come.

Let me begin with an explanation of my choice of subject. I thought at first that some professional topic should be selected, but I soon came across a serious difficulty. There is a much greater difference between the law and practice of banking in America and England than is generally supposed, and I felt that I should be liable to be misunderstood unless this difference were constantly borne in mind. This very meeting will illustrate the point. I understand there are over 30,000 separate banks in the United States, a large number of which are represented here. In the whole of Great Britain we have only thirty-nine, but with us the branch system is so highly developed that these few banks have no less than 9,650 branches, of which 6,800 belong to five banks alone.

Difference in Systems

The main distinction is that our banks are regarded by the legislature as ordinary corporations or companies, while yours are subject to special legislation in regard to nearly all their activities. You have a limit prescribed to the amount of a loan to any one customer. Certain loans are prohibited and others are restricted. Your investments are regulated. You are subject to limitations in incurring contingent liabilities and you are bound to maintain minimum cash reserves. We have none of these restrictions. Alone amongst deposit banking countries, the United States protects de-

positors, some of the States going so far as to prescribe a system of guarantee. We differ also in our central bank policy. You have adopted the Federal Reserve System under which there are twelve Federal Reserve banks in twelve districts. In England we have a single central bank of issue, a joint stock corporation which deals with private customers as well as with the government and the banks. Your Federal Reserve notes are issued against gold and self-liquidating commercial paper. Our Bank of England notes are issued against gold only, with a fiduciary issue of £18,450,000.

Principles of Sound Banking

The principles of sound banking are the same everywhere, but our countries diverge in law and practice. This is natural: British social and political conditions differ so much from yours that the same banking system could hardly be appropriate to both. Perhaps we have each something to learn from the other, but I am sure any hasty attempt to establish a common procedure in the two countries would be unwise. As our development has progressed each nation has adapted itself to its environment, and such changes as we may make in the future must conform to the habits and traditions of our peoples.

With these thoughts in mind I found it very difficult to select a technical banking subject for discussion today. However careful I might be I felt that, unless accompanied by much tedious explanation, my language, associated with ideas related to English practice, would be liable to be misunderstood by you whose associated ideas are so different. I resolved therefore to pass over professional banking topics and to look for a subject of general interest to the business community. What should this be? In their report to the Reparation Commission the Bankers' Committee which sat early this summer in Paris laid stress upon the need to resume normal trade conditions

between countries and to stabilize exchanges, and they came to the conclusion that neither of these aims could be accomplished without a definite settlement of the reparation and other international debts. Here then it seemed to me was a subject for my address. There will be general agreement that there is no matter of more deep concern to the world's trade at the present time than reparation payments and international debts, and I trust therefore you will not deem it out of place that I have chosen this subject for discussion today.

There are two preliminary observations which I must make. The first is that I speak as a banker expressing my personal views. I have nothing to do with politics and I do not appear here in any representative character. I approach the question solely from the economic point of view and my endeavor is to determine so far as I can the limit of the debtors' capacity to pay, and the effect of payment upon the world's trade. Our duty is to satisfy ourselves on the financial possibilities of the case. It is not what the debtors may justly be called upon to pay, but what they are able to pay, which we as business men, anxious to discover the conditions upon which trade prosperity is founded, must consider with the most careful attention.

International Debts

My second observation is to meet a possible criticism. How can I, a member of a nation which is one of the debtors of the United States, speak freely to an American audience upon international indebtedness? The primary and essential duty of a debtor is to discharge his liability, and, until this is done, all observations on the origin of the debt and on the economic consequences of international payments are liable to be viewed with suspicion. A creditor may, if he like, open up questions of that kind, but a debtor should admit his obligation without further discussion. I recognize that

these are objections which I must answer and I believe that I can do so conclusively. In the course of my argument I shall show that England has the ability to pay, and, once that is established, I can unhesitatingly assert her determination to honor her bond in full. I believe I am justified in asking you to treat England's debt to the United States as certain to be provided for, and, if this be conceded, we shall be free to consider the question of the remaining international debts as one in which America and England are equally concerned and in which both have the same interest as creditors.

First let us look at the magnitude of these international debts. The greatest of all is that of Germany for reparations, a debt of which the United States declined to receive any share. The amount was not defined by the Treaty of Versailles, but subsequently by the London Ultimatum it was put at 32 billion dollars, at which amount it stands nominally today. Of the remaining debts the liability of France to the United States and Great Britain is 6½ billion dollars, and of Italy to the same two countries 4½ billion dollars. Russia owes these countries 3½ billion dollars and a further one billion dollars to France. These are the principal debts; the others are all comparatively small in amount. Of the creditors of the European continental governments England is the greatest.

No Parallel in History

We have no record in history of international claims of this magnitude. The indemnity exacted by Germany from France under the Treaty of Frankfurt in 1871, in round figures one billion dollars, created the largest debt between governments ever known until the recent war, and is the only precedent we have of a considerable international payment. It is of interest to recall how the liability was discharged. Payment of 150 million dollars was made in gold and silver coin and in German banknotes and currency collected in France and the balance in foreign bills, chiefly German currency bills. The precise form in which the payment was made is, however, comparatively unimportant. For our present purpose the significant question is how France procured the means of payment. She was bound to acquire German marks or foreign currency exchangeable for marks, and to do so she had either to find German or other foreign buyers for such things as she had to sell or to obtain foreign subscriptions to her loans. Very considerable sales were made to foreign securities owned by French nationals, the French loans were largely subscribed externally, and the export of French goods was so much increased that an average excess of imports of 65 million dollars a year in the four years 1868-1871 was converted into an average excess of exports of 46 million dollars a year in the four subsequent years. By September 1873 the whole indemnity was paid, and although France remained liable for the loans she had issued, she was clear of any direct debt to the German Government, and indeed of all foreign debt payable in any but her own currency.

The Conditions

Here we have an example of a very considerable international debt rapidly paid off without any serious disorganization of the world's trade. Now what were the conditions which made this possible? The war had been short, and the amount of the indemnity was well within the capacity of France to pay. Her nationals held large blocks of foreign securities, which were realizable in foreign markets; her credit was good, which enabled her to obtain foreign subscriptions to her loans; and in her effort to increase her exports she was not hampered by high tariffs. She was driven off the gold standard and, although there was some decline in the value of the franc, the depreciation never exceeded 5 per cent. and, taking the whole period through, amounted to barely more than 1 per cent. But of the several factors in the French ability to pay the most important lay in her accumulated reserve of wealth, the foreign securities owned by her nationals.

It is interesting to note the industrial condition of France at that time. Employment was extremely active and production was on a great scale. She had to meet her external liabilities, which compelled her to increase her sales in foreign markets, and she did so notwithstanding the competition of other nations. The improved standard of efficiency in production which was thereby forced upon her endured long after the period of the indemnity. In Germany, on the other hand, there was a very different experience. The receipt of a large amount of gold and silver had, with other causes then in operation, a serious effect upon German internal prices, which rose rapidly. In 1872 there was a brief trade and financial boom, followed in the ensuing year by a crisis which was the beginning of a period of depression. It would not be correct to say that the trade conditions in Germany were entirely due to the payment of the French indemnity, but undoubtedly it was a contributory cause of material importance. The comparative prosperity in France and depression in Germany are remarkable and give color to the story that Bismarck, in commenting upon the state of the two countries, declared that the next time he defeated France he would insist on paying an indemnity.

The Debtor's Capacity

Such is the only precedent we have for the payment of a great international debt. The figures we have to deal with today are on a far larger scale than the indemnity exacted from France fifty years ago, but the problem in all essential particulars is the same. We have to discover the capacity of the debtors to pay and to consider the consequences of payment. As the indemnity demanded from Germany is much the greatest of the debts and is the one most urgently in need of a satisfactory settlement, I place it in the front of our discussion.

The first question is, what is Germany's capacity to pay? You are perhaps expecting that I am about to give you an inventory of Germany's natural resources and an estimate of her productive power. All this has been done many times and much industry has been displayed in the

inquiry. I have no doubt that the experts who advised the signatories of the Treaty of Versailles that Germany could pay 120 billion dollars had made many careful calculations of this kind. But what we have to investigate is not Germany's capacity to produce wealth, but her capacity to pay foreign debt. I cannot help thinking that we have here the source of the error into which the Versailles experts seem to have fallen. Nobody has ever doubted Germany's immense power to produce, but production by itself is not enough. She must find a market for her exports, and the problem thus become one of determining the possible extension of German export trade. Nor is this the end. We must remember that an increase in her exports will only provide funds for reparations if there is no corresponding increase in imports. Payment for her indispensable imports must be the first charge upon the proceeds of her foreign sales, and it is only the balance, the exportable surplus, which is available for reparations.

Exportable Surplus

In speaking of a nation's exportable surplus we must not forget that other factors may contribute to it besides the balance of exports over imports. Interest received from foreign investments and payment for external services, such as shipping, may be contributory factors. Before the war Germany possessed a very considerable exportable surplus derived from all three sources, but mainly from the interest on her foreign investments which were probably worth not less than 5½ billion dollars. As regards the surplus from the sale of her products and payment for services it is safe to say that it never exceeded 100 million dollars a year. But what is her position today? Most of her foreign investments have gone. Some were sold during the war, others have been seized as enemy property by the governments of the Allied and Associated Powers, and most of what remain have lost their value as in the case of the Russian investments. Her shipping has been largely confiscated, and she has been deprived of some of her most productive areas—Alsace-Lorraine, the Saar Basin, and the Polish provinces. All the sources whence an exportable surplus might have been drawn have been greatly impaired if not wholly destroyed. At no time was Germany's exportable surplus sufficient to enable her to make the annual payments demanded under the London Ultimatum; it is entirely out of the question that she could do so today.

But let us get a little nearer to the problem of Germany's present capacity to pay from the surplus sale of her production. According to a recent statement by the Chancellor of the Exchequer in the House of Commons she has paid money and delivered property altogether to the value of about two billion dollars. Of this amount \$1,645,000,000 represented the value of ships, coal, other payments in kind, property in ceded territories and local payments to Armies of Occupation. The amount in cash has been only \$375,000,000. And yet, with this comparatively small cash payment, observe what has happened. The mark has declined to less than one-seventieth of the value it

had when the obligation to pay was imposed upon Germany by the Treaty of Versailles. The means of payment has been found by the sale of marks. After this experience it is difficult to believe that Germany has any surplus at the present time from the export of her products.

There is a further consideration in support of this conclusion. It is beyond question that in the last three years Germany has made every effort to develop her external trade. The German workman, whose industry and efficiency are generally admitted, has been fully employed and the factories have been actively at work all over the country. The decline in the mark, which at every stage has been much greater in the external than in the internal value, has afforded a very considerable advantage to the German exporter, so much so indeed that there is hardly anywhere a manufacturer, producing goods for export, who does not complain of German competition. Nevertheless the German trade figures show that the exports, long after the immediate deficiency in essential foreign commodities due to the war was made good, are still barely equal to the imports. The conclusion seems irresistible that Germany has no present capacity to obtain a surplus from the export of goods.

I am not sanguine enough to believe that those who think they can extract from Germany enough money to enable them to meet the internal liabilities, which they themselves have incurred in restoring devastated areas, will be satisfied with the statement I have just made. At the recent Reparation Conference of the Allied Powers held in London proposals were made of punitive measures to be taken with the object of compelling Germany to make immediate cash payments, a policy which could only have been advanced under the conviction that Germany really could pay. For my part I do not believe that it is within her power to do so, but let us suppose for a moment that she can. We have then to consider what the effect of this enforced payment would be upon international trade, and whether it would be to the advantage either of Germany's creditors as a whole or of the rest of the world.

If Germany could pay what is demanded of her, the only method of obtaining the money would be by increasing her ex-

ports. Now what are these exports to be? She is essentially a manufacturing nation. Her foreign sale of raw materials is comparatively small. She is obliged to import food, and in consequence of the loss of a large part of her mineral lands she is compelled to import both iron ore and coal for the supply of her factories and furnaces. An increased exportable surplus could only be obtained by extending her sale of manufactured goods. To do this in the teeth of the competition of other manufacturing nations she must work longer hours for less wages, she must cut profits, she must

countered by a general lowering of the standard of life.

I know it is frequently alleged that the collapse of the mark with the accompanying disorganization of the world's trade might have been avoided if the German government had acted with firmness and good faith. It is said that Germany has intentionally depreciated her currency in order to induce her creditors to abandon their claims. We are told that her people are not adequately taxed and that if they were subject to the burdens borne in some other countries the government would be able to meet its liabilities. It is certainly true that in my own country far heavier taxation is levied than in Germany, but I am inclined to think we are overtaxed and that overtaxation so far from fostering cannot fail to depress national production. But whether I am right or wrong in that opinion I fail to see how additional taxation can stimulate foreign trade and provide a large exportable surplus. The taxes would be paid in marks, and whether the marks are derived from avowed taxation or from concealed taxation through the use of the printing press, they are in neither case a currency which would be accepted in discharge of foreign liability.

In the actual condition of Germany a foreign sale of marks is an inevitable accompaniment of the payment of reparations. Except by such sale there does not appear to be any practicable method for the government to obtain the necessary foreign currency other than by exacting it from exporters as a condition of their receiving an export license. But the exporter, who often has external obligations of his own to meet, does not want marks but dollars or pounds sterling, as the

case may be, and forthwith sells the marks paid him by the government for the currency he needs. If we add to this regular sale in the course of business the further sale by Germans who mistrust the stability of their own currency, we have a sufficient explanation of the stupendous drop in the value of Germany money.

What Can Germany Pay?

Let me come back now to the question of what Germany can pay. Certainly she can pay something, though not in the form or under the conditions it is now



SIR REGINALD McKENNA

reduce her imports to the indispensable minimum. But her competitors will not consent to stand idle while they lose their trade. They will find themselves faced with growing unemployment and heavy trade losses. So far as German goods seek to invade their own domestic markets they may endeavor to exclude them by tariffs, but in order to retain their hold on neutral markets they too will be compelled to reduce wages and cut profits. And thus Germany's effort to extend her foreign trade must be confronted with the opposition of the whole manufacturing interest of the rest of the world, and could only be successfully

sought to impose upon her. Many Germans possess foreign assets, whether investments or balances in foreign banks, and it would be a perfectly practicable proceeding for them to sell these assets to the German Government, who in turn could hand them over to the Reparation Commission. But it is an essential condition of such a transaction that the owners of the foreign assets should be willing to sell them; no government in the present situation of Germany could force a compulsory sale. How then could this consent be obtained? I have no doubt that if these assets could be sold for an assured profit the holders would be willing to dispose of them. It must be remembered that to a considerable extent they are the proceeds of sales of marks which have been flung by Germans on the foreign market under the well-founded apprehension that the pressure of reparation payments would rapidly depreciate their value. Relieve this pressure and the mark would immediately improve. It has still a far greater value in Germany than it has outside, and the German holders of foreign assets would have a clear advantage in selling them for marks to their government.

It is impossible to give any precise estimate of the total value of these assets, but I believe it would be safe to put them at not less than a billion dollars. Whatever the amount may be, however, Germany could pay it, provided the fall in the mark was arrested. More than that, I do not think she has the ability to find, at any rate for some years, and it would be a condition of this payment that no more should be demanded of her for a long time to come. I believe that, looking merely at the amount to be received, the creditors would gain by abandoning the attempt to obtain other money payments for a period of at least three years, and I am quite sure the world as a whole would be an immense gainer in the general stabilization of exchanges which would ensue upon an arrest of the fall in the mark.

Answer Not Popular

Before I leave this part of my subject there is one observation I should like to make. I have no wish to minimize the just claims of the Allies against Germany, and I recognize the serious political difficulties which stand in the way of their abatement. But no solution of the reparation is possible unless political considerations are subordinated to economic facts. What Germany can pay may not be a simple question, but it is a question capable of being answered. Unfortunately the answer runs counter to popular hopes, popular passions, and, more formidable still, a popular sense of natural justice which prescribes that the defeated enemy who planned the war should make good the damage suffered by the victors. And so no authoritative answer is given while Europe slides into ruin.

I have dealt at length with the reparation problem in an endeavor to show that a nation, except in so far as it has an exportable surplus, can only pay foreign debt out of the wealth it has accumulated outside its own country. If

we pass now to the other international debts we have to recognize that the general argument is equally applicable to them all. Have the debtors an exportable surplus and what are their foreign assets? With regard to the latter question the only debtor possessing any large accumulation of such assets is England. Notwithstanding her immense sale of securities to the United States in the second and third years of the war, a sale which largely furnished the means of paying for the goods of all kinds bought by the Allies, England still owns sufficient foreign securities to cover her debt to the United States two or three times over. But neither France nor Italy has similar reserves of wealth, and I doubt whether either of them has sufficient to meet more than a trifling part of their foreign debt.

Small Annual Payments

There remains to be considered their exportable surplus in the ordinary way of trade. I shall speak later of the circumstances in which an exportable surplus from production usually arises, and I shall give my reasons for thinking that nothing more than comparatively small annual payments can ever be made in this way. But it would be more convenient now to deal with an individual debt and I will ask you to consider the particular case of the debt from France to England, which I can speak about with more freedom, as it is a debt in regard to which my own country is the creditor. We shall get a clearer view of it if we examine the circumstances in which it was incurred.

During the war France developed an immense demand for goods of foreign production. As an increasing proportion of her man-power became engaged in her army, her capacity to supply herself was progressively reduced. She had no abundance of foreign securities with which to pay for her requirements and she could obtain the war materials indispensable for the maintenance of the fight in no other way than by borrowing the money to pay for them. Before the United States came into the war France had borrowed one billion dollars from the British Government, and this amount was subsequently increased to over two and one-half billion dollars. The price of the goods bought by France was naturally high. Commodities produced to meet an urgent war need can never be cheap. But France was obliged to have the goods, whatever the price, and a great stimulus was given to American and British trade.

Market Limitation

Let us now reverse the process and imagine France paying off this debt. She could only do so by producing goods and exporting them in very large quantities, far in excess of normal trade demands. If the general trade organization of the world permitted of the absorption of this additional French output, I have no doubt that her industry would be capable of the effort necessary to enable her to pay interest and sinking fund on her debt. But

would there be any willingness to receive the goods? Neither England nor any other country is prepared today to pay for and consume goods on an exceptional scale. The immense demand created by the war has no parallel in peace. And yet how is France to pay unless an exceptional demand exists. The truth is that her debt is far too great in relation to ordinary international trade possibilities. It was incurred by the purchase of goods required in war and bought at war prices. It could only be discharged by the transmission of goods, not wanted in peace and sold at no less high prices. We became accustomed during the war to talk in billions. Our language was suited to the circumstances of the time, but, if we carry our minds back to 1914 and return to the ideas appropriate to peace conditions, we shall recognize at once that France has no trade surplus or reserves of accumulated and exportable wealth to enable her to meet her present external liabilities.

There are, of course, conceivable, though I trust improbable, conditions in which the French debt to us might be repaid. If we were at war and the call upon our men to line the trenches was such that many of our mines and factories had to close down; and if France were at peace and at liberty to increase her output to the utmost of her capacity she might pour upon our shores war material and stores equal to the whole amount of her debt to us. But in what part of the globe is there a demand for this additional output in time of peace? The mere endeavor to extend her foreign sales to the necessary degree would disorganize the trade of the world. We have seen the painful effect of an enforced competition by Germany; we should experience precisely the same results from a similar effort by France.

Debts Too Great

The inevitable conclusion is that these international debts are far too great for the capacity of any of the debtor countries except England. She alone in her accumulated foreign investments has adequate resources with which to discharge her liability to the United States. Of the others, France has the greatest resources, but they are, I believe, quite insufficient to meet her obligations. The whole subject requires a rational reconsideration by the creditors, who must keep steadily in view the immediate effect of the payment of these debts on the general trade of the world. The creditor countries will obtain greater advantage from trade prosperity, which will ensure future employment in their factories and workshops, than they can ever receive from the precarious payment of these debts. In the last two years we have had experience of the effect upon foreign trade of tumbling exchanges and broken-down credit, and though the consequences may be more serious in England than in the United States, where foreign trade is comparatively only a small part of the total trade, they are still grave enough in the latter country also to warrant the fullest and most careful consideration.

It may be objected that my argument appears to lead to the unpalatable conclusion that no nation, unless it has accumulated resources in the form of foreign investments, can discharge external obligations to anything more than a comparatively small amount. This is an objection which goes to the very root of the question of international loans and forces us to a consideration of the real meaning of an exportable surplus. I cannot do more than touch upon it briefly now without stretching your patience beyond the limit of extreme good nature.

England's Creditor Experience

It seems to me that the most compact form in which I can present the case is by calling your attention to the experience of England as a creditor country. For over two centuries British capital has been lent to other countries. Year by year England produced more than she either consumed herself or could exchange for the products of other nations, and she could not obtain a market for the surplus unless she gave the purchaser a long credit. Foreign loans and foreign issues of all kinds were taken up in England and the proceeds were spent in paying for the surplus production. British factories and workshops were kept in good employment, but it was a condition of their prosperity that a part of their output should be disposed of in this way. Taking the aggregate of the transactions, British creditors have received a good return on their investment, but the ability of the debtors to pay has been dependent, speaking generally, on the development of their country being fostered by the receipt of further loans. If we take the whole field of British foreign investment we shall find that every year England has returned in loan more than she received in interest, and the balance of the world's indebtedness to her has been steadily growing.

Keep on Lending

From this view of loans made to foreign countries they might seem at first sight to be somewhat unremunerative. If the creditor has to go on lending in order to be paid the interest on previous loans, a bad debt would appear to be the only possible end to the business. But this is by no means the case. While this continuous lending has been true in the past in the aggregate of foreign loans, it is not necessarily true in any individual instance, nor does it follow that it will always be true of the loans as a whole. In our experience as bankers it is not uncommon to see loans to corporations and firms justifiably increasing in amount. The borrower may show by the growth of his business and expanding turnover that such advances are thoroughly warranted, and in spite of his greater total of indebtedness his credit may be improving and his balance-sheet may disclose an increasing surplus. What is true of an individual or corporation may be true of a country, but on a larger scale and viewed over a much more extended period

of time. The life of an individual or even of the most successful company is as nothing compared with the life of a nation. Take the case of your own country. The United States has been the greatest external borrower in history. You required foreign capital for your internal development and you took from England alone not less than three billion dollars. It is estimated that at the time of the outbreak of the war your external debt had become stationary in amount, and that your exportable surplus of commodities sufficed to pay the whole of the interest. Repayment of the capital, however, would have been beyond even your capacity for a very long period had it not been for the opportunity afforded by the war. As you know there arose then an inexhaustible demand in Europe for American goods which led to an immense increase in your exports. Payment for these exports was largely made out of the proceeds of the sale of the stocks and bonds held in England, and thus a capital liability which had been growing for over two centuries was almost entirely discharged in a few years.

We see then that a debtor nation may in certain circumstances pay off its foreign debt with remarkable ease and rapidity. The indispensable condition for such rapid repayment is that there should be an extraordinary demand for its goods, a demand which is a natural accompaniment of war but does not exist in peace. I cannot help thinking that there has been a general, though very natural, misunderstanding of the conditions under which international payments are made. In its present magnitude the subject is new. In the past we have been accustomed only to the discharge of comparatively small liabilities between nations which has been effected partly by the remittance of gold, and partly by an extension of export trade facilitated by a fall in the exchange of the debtor country, and it is not easy now to free ourselves from the ideas we have formed in the course of our past experience. Mistaken opinions on these economic questions are not surprising, but they are causing grave disasters throughout the world. It is not many years ago—it is well within my own recollection—that a want of understanding of sound principles of banking led to repeated financial crises which were then believed to be inevitable. As they usually happened at intervals of ten or eleven years many serious persons attributed them to the variations which occur in the spots on the sun. These spots may affect the weather, and, through the weather, the harvest, but a wider knowledge of banking and of currency requirements has taught us how to escape their malign influence on credit. A better understanding of international trade and of the possible limits of international payments will quickly enable us to find a remedy for the evils which now distract us. The public on both sides of the Atlantic is beginning to take a more rational view than was possible three years ago, and if the leaders of opinion direct our footsteps along the right path I believe the world is now prepared to follow it.

The Capacities to Pay

To sum up: The conclusion to which I am driven is that Germany can only pay now whatever she may have in foreign balances together with such amount as she can realize by the sale of her remaining foreign securities; that this payment is only possible if all other demands are postponed for a definite period long enough to ensure the stabilization of the mark; and that future demands at the expiration of this period must be limited to the annual amount of Germany's exportable surplus at that time. Further, that England has the capacity to pay to the United States interest and sinking fund on her debt; but that the other debtors are none of them in a position to meet more than a small part of their external liabilities, and in the existing condition of Europe a definite postponement of any payment by them is desirable in the interests of all the parties. The actual amount which the other debtors could ultimately pay should, as in the case of Germany, be ascertained by inquiry into their exportable surplus at a full and frank conference between creditors and debtors.

It remains only for me now to thank you for the patience with which you have heard me. I have strictly confined myself to a consideration of the economic aspect of Reparations and International Debts, how they are payable, the general capacity of a debtor country to pay, and the effect of payment. If I have become convinced that an attempt to enforce payment beyond the debtor's ability is injurious to the international trade of the whole world, lowers wages, reduces profits and is a direct cause of unemployment, the conclusion is founded solely on economic grounds and is uninfluenced by any political considerations or any regard to the moral obligations of the debtors. I know very well that there are other considerations affecting these debts, but these are matters of statecraft to be determined by the rulers of the creditor countries according to their view of wise policy, which covers many interests besides those of trade and finance. The fact that a debtor cannot pay does not of itself discharge the obligation. The debt may become the subject of negotiation and bargain by which if the debtor obtains relief, the creditor may still recover some advantage to which he may be justly entitled. But I conceive it to be the duty of bankers to help so far as they can in forming a sound public opinion upon the financial and commercial aspects of these international debts, and it is in pursuance of this duty that I have ventured to make these observations today.

President McAdams here read the letter from A. W. Mellon, Secretary of the Treasury which was printed in the October JOURNAL.

The Commerce and Marine Commission

By FRED I. KENT

Vice-President Bankers Trust Co., New York

THE large number of important matters which were presented to the Commerce and Marine Commission for its consideration, and that naturally came before it in connection with the purpose which brought about its creation, were such that it became necessary to divide the work among several sub-committees whose reports will be brought into this general report.

Liaison With the Dept. of Commerce

The Department of Commerce of the United States is constantly in receipt of cable and mail information from its various agents in the United States and throughout the world which could be made of tremendous value to bankers and business men throughout the country if placed before them in some systematic and simple manner. With the idea of accomplishing such distribution of information, Hon. Herbert Hoover, Secretary of Commerce, instructed his heads of departments to cooperate with the Commerce and Marine Commission of the American Bankers Association in every way possible. As a result, a liaison has been formed between the Department of Commerce and the Commerce and Marine Commission which has been functioning most satisfactorily and that has already brought, and is going to continue to bring, most excellent results.

"The Commerce Reports" which are published by the Department of Commerce are being studied carefully by a subcommittee of the Commerce and Marine Commission in conjunction with Dr. Klein and his Assistant Directors in the Department of Commerce, and it is rapidly becoming of very great importance as a carrier of up-to-date and essential business information. It would be impossible to overstate the enthusiasm, and general desire, to be helpful in this work that has prevailed with Secretary Hoover and all of his department heads.

Study on Conditions in Russia

Observing the need of more definite information concerning economic and political conditions in Russia and the variety of unreliable information current among American business men and commercial organizations on the subject of Russia, your Commission concluded to publish a document which would give as much accurate information as could be made available.

Accordingly during the month of August the Commission published a brochure entitled "Russia, A Consideration of Conditions as Revealed by Soviet Publications." The material was gathered from the files of the Department of Commerce and is based upon numerous translations from Soviet sources. It was at first proposed to print enough booklets for general distribution to all members of the American Bankers Association, but we later concluded not to broadcast

them in such fashion due to the expense involved. We, therefore, had a quantity printed which, it was considered, would cover the demand created by announcement of its publication. They were first distributed to members of the Commission and to a selected list of individuals known to be interested in the subject. Copies were sent then to the larger general and economic libraries throughout the country and then to university libraries. Since then, such institutions as the University of Chicago and Harvard University have requested further copies for use in classroom work in business administration courses.

Copies were also sent to the secretaries of 1,500 business organizations in the United States and elsewhere, including the largest organizations of each industry in America. We have had numerous requests from members of the American Bankers Association for copies and we still have a sufficient number on hand to cover a reasonable demand. A digest of the pamphlet has been prepared by the Office of the Secretary and has since been published in the September number of the Journal of the American Bankers Association. This study is unique, being the first work on the subject prepared with care from basic data divorced from propaganda of any sort and the Commission has been widely commended for its publication at an opportune time.

Pre-War Balances

When the United States entered the war many American interests, banks, corporations, firms and individuals had cash on deposit with banks in Germany. These funds were in German marks which were quoted at the time around 17½ cents each.

Under the Treaty of Peace between the United States and Germany and in connection with the Treaty of Versailles, as referred to in such Treaty of Peace, these mark deposits are clearly a prior lien to reparations. The Allies have admitted such prior lien in effect and mark balances due the nations of the other Allies have been partly collected by them through the clearing houses established under the Treaty of Versailles. These collections have been made on the basis of the gold mark as the German mark was close to par when the war broke out in August, 1914.

American holders of pre-war mark balances in Germany have never been able to obtain payment even though their rights under the two treaties mentioned are clearly defined. Individual efforts to effect a settlement having failed to bring results, the Commerce and Marine Commission took up the matter and advised interested bankers that they would make a presentation of the whole situation in principle covering such total amount of mark balances as were filed with the Commission for this purpose.

Bankers generally throughout the coun-

try responded to this offer and mark balances amounting to many millions of marks were registered with the Commission.

In order to make a proper presentation of the matter to the State Department, it was found desirable to have the advice of an attorney. The Commission was particularly fortunate in obtaining the services of one of the best international lawyers in the United States, Chandler P. Anderson, who, realizing that the Commerce and Marine Commission represented a voluntary organization which had taken up the matter on principle, and without any possible pecuniary advantage to itself, agreed to cooperate with the Chairman of the Commission for the good of the Association without remuneration.

A brief was prepared by Mr. Anderson and he accompanied the Chairman of the Commission to make a presentation of the matter to the Secretary of State, who took the question under advisement. Certain decisions have been rendered and Mr. Anderson is now in Europe where he expects to continue the negotiations, which, it is hoped, may open the way to the collection of the pre-war balances due American interests as soon as the economic situation makes it possible.

It is essential that all sources of friction between the nations that were caused by the war be removed as rapidly as possible and the Commerce and Marine Commission, in taking up the question of the pre-war mark balances due American banks and others had this thought in mind, feeling that a successful settlement of this question would be of value to all American citizens as well as to those directly concerned.

Austrian Balances

The President of the Austrian Bankers Association advised the Commission that Austrian bankers are willing to make a settlement of pre-war Austrian balances due American bankers on a basis of 10 per cent of their pre-war value (about 10 cents each when the United States entered the war), although they are not bound to do so by Treaty or otherwise. This suggestion has now been made by letter direct from the Austrian bankers to each individual American depositor. Even though this means the payment of a sum many times larger than the present value of the Austrian krone, the Austrian bankers felt that an offer on their part of settlement on this basis would so serve to show their good faith that they would be warranted in making payment on this basis even though the Austrian finances are in such a deplorable condition.

Whether American bankers interested care to accept this offer of the Austrian bankers is entirely a matter for their individual consideration and the Commerce and Marine Commission did not feel warranted in making any recommenda-

tion, although they have acknowledged the letter of the President of the Austrian Bankers Association and expressed their appreciation of the attitude of the Austrian bankers.

Cable Codes

A number of institutions having reported the loss of cable codes which had been lodged with their correspondent institutions in Hungary by reason of their having been confiscated during the Bolshevik régime, your commission undertook to enlist the assistance of the State Department and the Department of Commerce in the recovery of these codes which, besides being highly confidential, are also of considerable replacement value. The efforts being made have not yet borne fruit, but we expect to obtain the restitution of these codes.

Exchange of Banking Representatives

At the meeting of the Commission held on May 8th, it was resolved "to appoint a committee of three to investigate and report upon a plan under which an exchange of banking representatives between the United States and South American countries might be undertaken for the purpose of bringing about a closer commercial understanding." This report will not be presented at this meeting by reason of the fact that it has not been found possible to complete the work upon the plan. We are, however, in communication with certain of the South American governments and hope to present a report at a later meeting of the Commission which will treat of this matter at length. As the plan is presently unfinished, it would be premature to go into details thus far developed.

Charts

In cooperation with the National Industrial Conference Board, the Commerce and Marine Commission have had a series of charts prepared aimed to bring together in a concise and graphic manner the principal elements in the economic problems which are before the world today for solution. It was felt that a much clearer understanding of the fundamentals of the present situation could be obtained by bankers throughout the country by this means than in any other manner of presentation possible. It is hoped that it may be found practicable to reduce the charts to pamphlet form for distribution to bankers desiring them and the National Industrial Conference Board has agreed to work with the Commerce and Marine Commission in developing such a pamphlet. The notes which accompany the charts, which have been placed in the lobby of the Convention Hall, are only leaders to enable a start to be made in their study, but as the charts carry within them a tremendous amount of valuable information, it is hoped that bankers generally may be interested in going over them carefully.

Financial Statement

The financial statement of the Commission is covered in full detail in the

Treasurer's report and therefore nothing need be mentioned here except to say that the cost of the work carried on by the National Industrial Conference Board in connection with the preparation of the financial charts already referred to in the report, could not be ascertained in time to have the bill go against this year's appropriation, and it will therefore have to be paid out of funds to be allotted the Commission this coming year. The large credit which the Commission was able to turn back to the Treasurer, as shown in the Treasurer's report, will therefore be reduced by this amount in determining the cost of the work of the Commission for 1922.

Reports to Chairmen of Sub-Committees of the Commission:

Merchant Marine

American Merchant Marine, by Milton E. Ailes.

"Under date of July 12, 1912, a Committee of the Commerce and Marine Commission was designated to consider and report upon the subject of granting reasonable government aid to the American Merchant Marine, and to cooperate with the Chairman of the United States Shipping Board in such manner as developing conditions should justify. This committee now has the honor to submit the following report:

"The United States finds itself in possession of a large fleet of vessels built as the result of wartime emergency. With these vessels the United States Shipping Board is now maintaining adequate transportation under the American flag, but with disadvantages as to types of vessels employed and only at great cost to the public treasury.

"It is well recognized that the United States has reached a point in its industrial and commercial development where increase in foreign trade is essential to the marketing of surplus agricultural products and manufactured goods. If producers were to depend altogether on domestic consumption, it is believed that there would be a recurring demoralization of prices, due to overproduction. To a considerable extent, therefore, a stabilized prosperity depends upon adequate transportation guaranteed against interruption by the carriage under our own flag of the greater part thereof.

"Government ownership and operation of the fleet, in the opinion of your committee, is impracticable, as well as costly. A recognition of this fact has led to the policy of attempting to sell into private ownership the vessels which constitute the government fleet. No ready market has been found for these vessels because of the high cost of operating ships under American registry, and besides it is generally recognized that the war-built fleet, although large, is not adequate for the proper carriage of our foreign trade, through lack of many important types of vessels; nor does this fleet assure to the United States the possession of vessels suitable for use as naval auxiliaries in time of war. It is further recognized that there is need of such types because of the action taken by the nations of the world in limiting their naval strength,

and these desirable types of ships are not now being built because of the cost of construction in American shipyards.

"Your committee believes, therefore, that as a necessary step in the development of our foreign trade essential to national prosperity the government fleet should be sold to private operators, and that such steps should be taken as would lead to the building of those types of vessels which our merchant marine now lacks, and which should be built with a view to use as naval auxiliaries in case of war.

"Your committee believes that these national needs can be fulfilled only by extending national aid sufficient to equalize the higher cost of constructing and operating American ships. The United States Shipping Board, after a thorough study of the situation, has drafted, and the President of the United States has approved, a Ship Subsidy Bill, a summary of which is attached to this report.

"Your committee highly commends this bill to the American Bankers Association, and urges that it receives the full support not only of the Association but of all of its members as individuals, and that as individuals the members of the American Bankers Association lend their efforts to educate popular opinion to the end that Congress will enact the bill into law.

"Your committee is advised that the Chairman of the Shipping Board will be pleased to communicate to the Association through its Commerce and Marine Commission, suggestions from time to time which developing conditions may warrant."

The sense of the Commission regarding this matter was that the report should be given to the Resolutions Committee with approval in principle, but without recommendation at the moment as to any special bill that might be placed before Congress.

Warehouse Act

Report of the subcommittee on the value of the United States Warehouse Act by Robert F. Maddox:

"Realizing the great importance of enabling the farmers to market their crops more orderly and in closer relation to the consuming needs of the country, your commission has deemed it appropriate to consider and comment briefly upon the U. S. Warehouse Act passed by Congress in 1916.

"This Act was passed to give to warehouse receipts covering cotton, grain, wool and tobacco government sanction and supervision, and prescribed rules and regulations under which they could be issued to give these receipts added value as collateral, thus permitting the farmer to more easily secure loans from banks and to hold his product until he wished to sell. Very little was accomplished by the Act until the early part of 1921, but since then, the Act has been better appreciated, and proven to be of great help to both banker and farmer.

"Up to September, 1922, there were 687 warehouses in all parts of the country which had accepted the provisions of the

Act and were issuing warehouse receipts showing weights and grades under the U. S. standards and bonded as the law required, as follows:

Number	Kind of Warehouse	Capacity
369	Cotton	1,895,000 bales
248	Grain	14,507,747 bushels
19	Wool	24,130,250 lbs.
51	Tobacco	225,000,000 lbs.

"These warehouses for the most part are located directly in the producing areas and therefore directly serving the farmer and giving the receipt local value as well as making it more desirable collateral in the money centers and providing a wider field for its usefulness.

"The rapidity with which the cooperative marketing associations are being organized throughout the country and the variety of products which are now being brought into this new selling plan is making it necessary to give the warehouse receipt more careful consideration by both banker and farmer.

"The U. S. Warehouse Act is just now coming into its own and the producer, the banker and the public generally will be materially benefited by this piece of legislation. Certainly it has opened a great deal of credit to the producer, which he would not otherwise have had and it also guards the interests of those who make loans with warehouse receipts covering agricultural products as collateral.

"Your committee wishes to commend the Act to your consideration and believes its many advantages will be of growing benefit to the country."

The sense of the Commission, after hearing Mr. Maddox's report and his further remarks concerning it was that the United States Warehouse Act has developed a system of real value to the country and the Commission recommended that action be taken to extend knowledge of the system to bankers generally.

Thrift Plan

"The sub-committee appointed to consider and report on a plan to encourage thrift among employees of industrial institutions has had before it many plans which have been in operation in industrial concerns throughout the country. There

can be no doubt that a thrift plan approved by the banks of the country will be welcomed by employers generally and the sub-committee feels that it is highly important that a well considered plan should be worked out and distributed among industrial depositors by banking institutions. In order, however, to avoid any feeling that the banks are actuated by self interest in putting forward a thrift plan, the sub-committee believes that before any action is taken by the American Bankers Association the cooperation of national organizations such

employers themselves the responsibility for collecting the savings through some designated representative which savings are then deposited in a single account. The employer's only contribution under this plan is to allow the designated representative to operate within the institution during working hours.

"Your sub-committee recommends that the Commerce and Marine Committee authorize the sub-committee to get in touch with national commercial organizations to secure their approval of one or the other of the many plans which

have been under consideration, to the end that your sub-committee may report back to the Commerce and Marine Committee at a later meeting when the final plan, which has the approval of these commercial organizations, may be submitted."

The Commission authorized the committee to carry out its recommendation.

Transit Zones

Report of the Sub-Committee on "Establishment of Transit Zones in the United States," by Daniel G. Wing.

"At the last meeting of the Commission on Commerce and Marine May 8, at White Sulphur Springs, a resolution was adopted providing for the appointment of a committee to consider the establishment of 'free ports' for the re-export of commodities from the United States.

"The committee appointed, in pursuance of this resolution, has given study to the matter and the following report, being its conclusions in brief, is submitted for your consideration:

"Briefly stated the institution known as a 'free port' is 'an isolated, enclosed and policed area, in or adjacent to a port of entry, without resident population, furnished with the necessary facilities for loading and unloading, for supplying fuel and ships' stores, for storing goods and for reshipping them by land and water; an area within which goods may be landed, stored, mixed, blended, repacked, manufactured and re-shipped without payment of duties and without the intervention of customs officials. It is subject equally with adjacent regions to all the laws relating to public health, vessel inspection, postal service,



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Vice-President Bankers Trust Company of New York

Underwood & Underwood

as the United States Chamber of Commerce and the National Manufacturers Association should be secured so that the final plan can be advanced as the joint product of banking and business. Thrift plans now in operation fall into two principal classifications. The first utilizes the facilities of the employer, provides for the collection of savings each week by the company cashier through a deduction from the pay check and gives each employee a separate account in the bank where the thrift savings are deposited.

"The second plan places upon the em-

labor conditions, immigration, and, indeed everything except customs."

"History presents very clear evidence that the development of the great commercial nations of this and the preceding century has been due to a large extent to the institution of 'free ports.' British ports, for example, are counters, market places and clearing houses for distribution of the diversified products of the entire world. Cargoes are brought to England and then reshipped to every port on the globe. There are also a number of Continental cities, such as Bremen, Hamburg, Lubeck, Copenhagen and Antwerp which owe their wealth and importance, after geographical location, to the idea of 'free ports.'

"It is entirely feasible for us to compete with these long established European ports by the extension of our present warehousing system and the establishment of a series of such ports on our seaboard. This would mean that the United States would then be in a position to supply the much desired mixed cargoes which our South American, African and Asiatic customers and prospective customers require, rather than simple ones which bulk too much of one or two commodities.

"The 'Free Port' program in the United States has nevertheless developed considerable bitter opposition, some of it of a most uncompromising nature. The chief antagonism, however, appears to lie in nothing more serious than an erroneous interpretation of the term 'free' as applied to ports. It has apparently been frequently construed as being in some way related to the doctrine of free trade and has consequently found itself with a ready-made phalanx of opponents at the very outset. With this in the mind the term 'free port' should be dropped as misleading and the more precise appellation of 'transit zone' be adopted.

"'Transit zones' in this country could

be established with a very minimum amount of enabling legislation. Their creation would measurably hasten the re-establishment of a healthy American Merchant Marine; they would link the United States with South America, Africa and Asia by trade connections which would tend to promote friendly relations, supply an easier outlet and stimulate demand for American goods. They would enable merchants to meet the trade needs of other countries by supplying mixed cargoes. They would facilitate and cheapen re-exportation and by eliminating passage of material through the Customs House (unless actually for sale or use in the United States), the handling of goods intended for re-exportation would be greatly expedited.

"Our many assertions to the contrary notwithstanding, the financial center of the world will never have been transplanted to the United States until we can show facilities to compete with London as the consignment market and the 'middleman' of the world. The establishment of our own 'transit zones' will bring to us an increasing share of international commerce and exchange and will reinforce our banking and trade relations with other countries. Your committee is confirmed in its belief that in order to develop foreign trade of the United States it is desirable and necessary to establish a series of 'transit zones' and in conclusion your committee recommends adoption by the American Bankers Association of a resolution to be presented to other bodies of influence in the public interest and to the Congress of the United States, as follows:

"Whereas, It is the opinion of the American Bankers Association that the establishment of a series of 'transit zones' in the United States would tend to greatly increase the foreign trade of this country, and,

"Whereas, This increase in trade will bring added wealth and prosperity to the people of the United States, and,

"Whereas, The friendly relations between the United States and the South American, African and Asiatic countries would be greatly strengthened, now therefore be it

"Resolved, That the American Bankers Association should urge before the Congress of the United States the advisability of legislation to provide for the establishment of a series of 'transit zones' along our coasts."

The recommendations of the sub-committee were approved by the Commission.

Cancellation of War Debts

Report of the Sub-Committee on "Cancellation of the War Debts of the Allies, John McHugh, Chairman:

Mr. McHugh developed a general discussion as to the whole European situation. While members of the Commission were seemingly unanimous in the belief that cancellation of the War Debts would be of tremendous economic value, yet there was a difference of opinion as to the advisability of making any statement regarding cancellation just at this time. The Commission, in view of Mr. McHugh's statements, which showed conclusively the serious conditions which now exist in Europe which will with certainty be reflected in the business of the United States unless they change for the better soon, instructed Mr. McHugh and the Chairman to prepare a statement for the Resolutions Committee expressing concern over the present European situation and giving importance to the position which the Inter-Allied debts hold in the commercial relations between the nations concerned and recommending that Congress extend the powers of the Debt Funding Commission so as to enable them to negotiate with better effect.

Except for minor matters that constantly come before the Commission for consideration that are not of sufficient importance in themselves to warrant covering in detail in this report, no further matters are before the Commission at the moment.

Industrial and Trade Conditions

By FRED I. KENT

Chairman, Commission on Commerce and Marine

THE people of the United States of America from time to time are going to be obliged to render decisions through their government upon many phases of the great problems which confront the world today. If proper judgment is to be exercised, it is going to be necessary for the people to be able to follow contemporaneous economic history with more or less intelligence.

The bankers in the country will naturally be called upon in the future, as they have been in the past, to explain and interpret values of various economic phenomena because the nature of their business naturally fits them to understand such matters more readily than the average of the public mind. With the hope of being able to place before bankers a picture of the general world conditions as they exist today, the Commerce and Marine Commission of the American Bankers Association, in cooperation with the National Industrial Conference Board, has had a series of charts prepared covering some of the principal economic movements which show the reason for the difficulties which now stand in the way of rational living in many countries and normal trade and commerce throughout the world.

Money Cost of World War

The first chart, "Money Cost of World War," is based on the table on page 11 of French Public Finance which was quoted by Lloyd George in his speech at the Conference of Finance Ministers held in London on August 7, 1922, where the estimated costs of the war expressed in dollars at par of exchange for foreign currencies is placed at \$223,471 million pro-rated among the different nations as follows:

COST OF THE WAR, 1914-1919	
To Entente Allies	At par of Currencies \$
France	37,588
Italy	14,794
Russia	20,500
United Kingdom	48,944
United States	33,456
Other active participants	8,500
Total	163,782
Deduct Inter-Allied Loans	23,658
Net Total	140,124
To Central Powers	
Germany	49,362
All other	33,985
Total	83,347
Grand Total	223,471

The chart is prepared from these figures, but after they have been reduced to a pre-war basis by dividing the cost for each country for each year of the war by the wholesale price index number based on 1913 as 100 per cent. The gold or pre-war cost of the war thus arrived at is \$84,045,000,000. Divided between the two war parties it shows that the

cost to the Allied powers was \$53,883,000,000 and to the Central powers \$30,162,000,000. The chart also shows how these costs were divided among the powers including the amounts which each advanced in loans to other nations.

Of the Allies, the expenditures of the United Kingdom at par of currencies and also on the gold basis come first in total amount.

The United States stands second in actual expenditure, but in per capita expenditure she comes third.

If the Inter-Allied loans were all paid the war would have cost the United Kingdom the largest sum, France next and the United States third.

The war cost the Entente Allies and the United States nearly 79 per cent. more than it cost the Central Powers, although the Central Powers expended more per capita, \$215 as against \$112, while the Central Powers also expended a larger part of their pre-war wealth, 25½ per cent. as against just a shade over 12 per cent. for the Allied Powers.

This cost does not include the property losses of France or other countries, nor the losses to England on account of her merchant shipping, due chiefly to German submarines, which latter amounted on the 1913 price basis to \$1,300,000,000.

The total figures representing the cost of the war, \$84,000,000,000, carry very little meaning in themselves because they are so huge. Reduced to terms of the total exports of the United States, this amount represents our trade for the past 37 years, and in terms of the total world trade figured one way based on the figures of 1913, it represents the entire world commerce for four full years. It must be borne in mind that these figures

of total trade cover full values and not profits, and it is only from profits that savings can be made with which the indebtedness incurred by the war can be extinguished. Some of these expenditures were met by taxes as the war went on as will be shown in another chart. This brings us naturally to a consideration of the Inter-Allied indebtedness due to the war.

Chart 2—Inter-Allied Indebtedness

Chart 2 has been prepared to show the interlacing of the Inter-Allied Debts.

These debts aggregate at par of exchange about \$25,000,000,000. Forty-five per cent. of this amount is due to the United States; about 39 per cent. is due to the United Kingdom; about 12 per cent. is due to France and about 4 per cent. is due to other nations. The United States and Great Britain are net creditors while France, Italy, Russia and Belgium are net debtors. The greatest debt of France is to the United States, although she owes Great Britain three-fourths as much. Her indebtedness to other nations has been materially reduced since the Armistice. Practically all of the indebtedness of the United Kingdom is to the United States and she has also largely paid down her indebtedness to other nations. Italy owes the most to Great Britain and about three-fourths as much to the United States and a comparatively small amount to France and other nations. The indebtedness of Russia is in great part to Great Britain although she owes France about one-third as much.

In the table is included accrued unpaid interest due to the United States

Inter-Nation Indebtedness in 1922, Due to the War of 1914-1918

Converted Into Dollars at Exchange Parities

(In dollars—000,000 omitted)

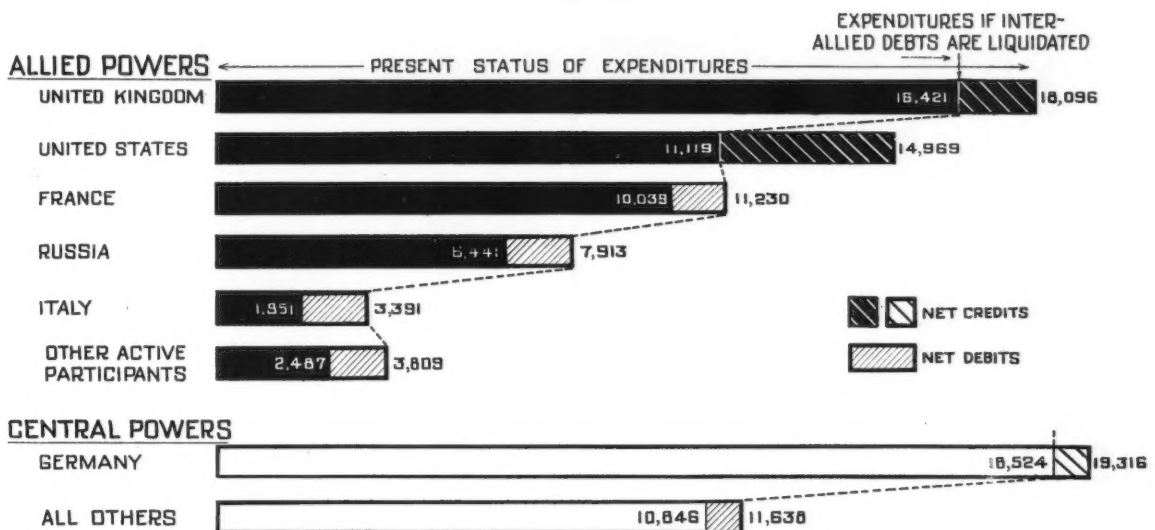
Due From	France	United Kingdom	Italy	Russia	Belgium	United Kingdom Dominions	Other Nations	Total
To UNITED STATES								
Direct Loans	2,934	4,136	1,648	188	347	...	133	9,386
Surplus War Supplies	407	...	...	...	30	...	138	575
Relief .....	...	...	...	5	...	...	79	84
Grain Corporation .....	...	...	...	...	...	...	57	57
TOTAL PRINCIPAL	3,341	4,136	1,648	193	377	...	407	10,102
Interest Accrued	430	611	243	35	51	...	53	1,423
TOTAL	3,771	4,747	1,891	228	428	...	460	11,525
UNITED KINGDOM								
Direct Loans	2,844	...	2,450	3,190	44	732	462	9,722
Relief .....	...	...	...	...	...	...	103	103
TOTAL PRINCIPAL	2,844	...	2,450	3,190	44	732	565	9,825
FRANCE								
Direct Loans .....	...	...	186	1,092	737	...	1,107	3,122
Other Nations	252	522	34	...	...	...	...	808
GRAND TOTAL	6,867	5,269	4,561	4,510	1,209	732	2,132	25,280

MONEY COST OF WORLD WAR-ADJUSTED BY COUNTRIES - 1914-1919 1913 PRICE BASIS

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NEW YORK CITY

(FIGURES IN MILLIONS OF DOLLARS)

TOTAL EXPENDITURES - \$84,045



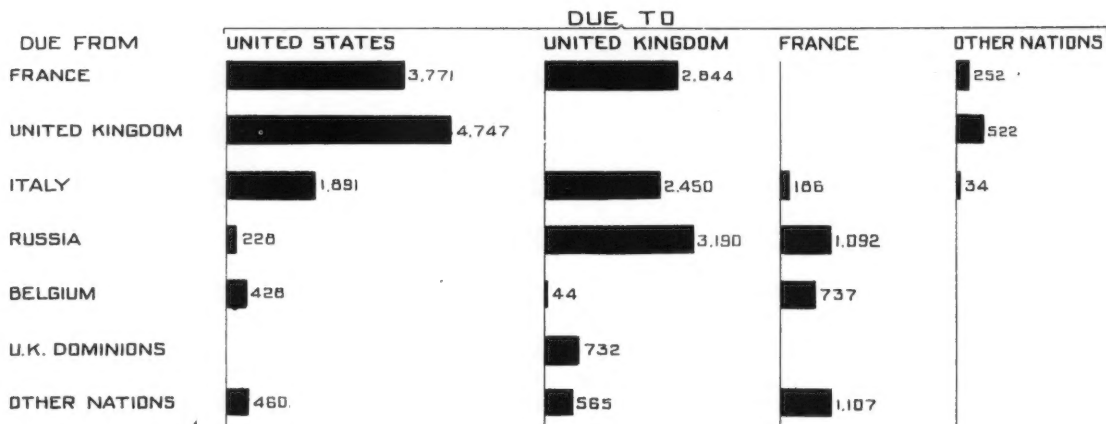
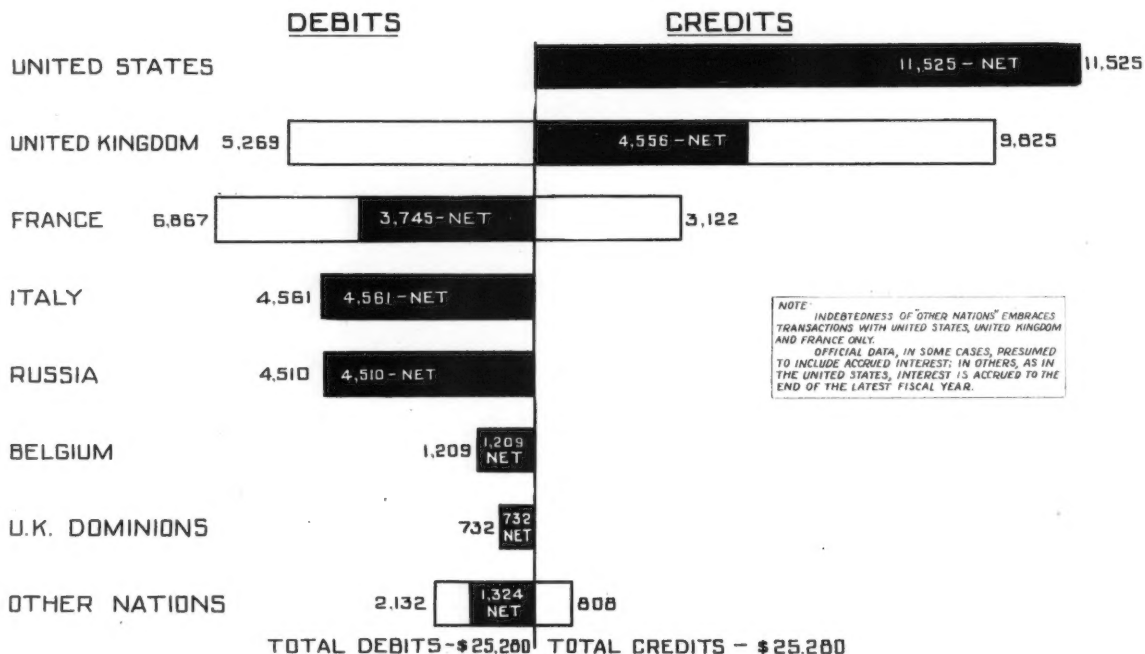
(SOURCE: BANKERS TRUST COMPANY)

INTER-ALLIED INDEBTEDNESS DUE TO WORLD WAR

WITH ACCRUED INTEREST APPROXIMATED

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NATIONAL INDUSTRIAL CONFERENCE BOARD
NEW YORK CITY

(FIGURES IN MILLIONS OF DOLLARS
CONVERTED AT PAR OF EXCHANGE)



(SOURCE: BANKERS TRUST COMPANY)

amounting to \$1,423,000,000. The figures of interest for other countries are not separately given in their statements.

Annual Interest Payments Required for Inter-Allied Debts

Estimated at 5 per cent. the total amount required to pay interest on Inter-Allied debts would be \$1,190,000,000. Of this amount there would be due to

United States.....	\$505 million
United Kingdom.....	490 "
France.....	155 "
Other Nations.....	40 "

and due from

	Involving an Increased Annual Burden of Say:
France.....	\$320 million 10%
United Kingdom.....	230 " 7%
Italy.....	215 " 20%
Russia.....	225 " "
Belgium.....	60 " 11%
U. K. Dominions.....	36 " "
Other Nations.....	104 " "

In spite of the controversies which have been carried on in connection with the Inter-Allied indebtedness, there would seem to be no question but that there is the will to pay on the part of the principal nations concerned which carries with it more force than is popularly supposed to be true. On the other hand, even where there is the will to pay, a strong feeling exists that actual payment will be extremely difficult for all nations involved and that it will delay the satisfactory working out of the present complex economic situation. It is admitted by all sound thinkers that there should be no repudiation of the Inter-Allied loans, but there is a growing feeling on the part of many that there should be a cancellation of the loans in such part as the war conditions, under which they were spent, would justify.

There are only a few ways in which a nation can pay or obtain foreign exchange with which to pay a foreign debt. These may be summarized as follows:

1. The surplus of the value of exported goods over imported goods.
2. The sale to foreigners of foreign securities (bonds and shares) already owned in the debtor country.
3. The sale of jewelry, works of art or other property, bank balances, etc., held abroad by citizens of the debtor state.
4. The sale to citizens of foreign states, against foreign credits, of irremovable property of any kind—real, personal or mixed—held within the debtor state.
5. The sale of bank notes, state currency or state or municipal or corporate securities of the debtor state in foreign countries.
6. Freight or passage money paid by foreign countries for transportation in the ships of the debtor country.
7. Net insurance premiums or foreign exchange profits from any other services extended the nationals of foreign countries, including expenditures of tourists.
8. Exchange created by remittances from foreign countries to the nationals of the debtor country.
9. The delivery of goods created (grown, produced, manufactured, etc.) within the debtor country to the creditor country against merely a book credit.
10. The creation of public or private works within the creditor country by nationals of the debtor country supported by the debtor country, against book credit by the creditor country.
11. By shipment of precious metals.

From a study of these items in connection with the foreign trade of the nations concerned in the Inter-Allied indebtedness, together with the various services

which they ordinarily are able to render the nations of other countries, it is easily seen that if full payment of all the Inter-Allied indebtedness is to be demanded, we may find that we are asking the impossible, which, if true, will tend to hold back the economic recovery of all nations for an indefinite period.

The Swiss delegates at the Genoa Conference said:

"There is no hope of restoring the currencies and re-establishing the economic well-being of Europe until the problem of international debts has been boldly faced. * * * One country alone is purely a creditor, namely the United States of America. The majority are both creditors and debtors. Taking into account the repatriation debt in so far as payments have been made, certain countries have balances in their favor while others have a debit balance. The most heavily charged country is Germany. Many American financiers and business men have realized that if America is again to find in Europe a customer with whom she may effect exchanges on a broad basis, as in the past, the European financial situation will have to be stabilized. This process would be greatly facilitated and accelerated by the reduction or by the complete remittance of the debt owed to the United States by her war associates."

The Swiss seem to have struck the keynote of the whole situation in the above sentence, "If America is again to find in Europe a customer with whom she may effect exchanges on a broad basis as in the past, the European financial situation will have to be stabilized."

U. S. Debt Refunding Commission

The Debt Refunding Bill was signed by the President February 10, 1922. The bill provides as follows:

"Subject to the approval of the President, the Commission is authorized to refund or convert and to extend the time of payment of the principal or the interest, or both, of any obligation of any foreign government now held by the United States or any obligation of any foreign government hereafter received by the United States (including obligations held by the United States Grain Corporation, the War Department, the Navy Department or the American Relief Administration) arising out of the World War into bonds or other obligations of such foreign governments in substitution for the coupons or other obligations of such government now or hereafter held by the United States in such form and of such terms, conditions, date or dates of maturity and rate or rates of interest and with such security, if any, as shall be deemed for the best interests of the United States; provided, that nothing contained in this Act shall be considered to authorize or empower the Commission to extend the time of maturity of any such bonds or other obligations due to the United States by any foreign government beyond June 15, 1947, or to fix the rate of interest at less than 4½ per cent. per annum; provided further, that when the bond or other obligation of any such government has been refunded or converted as herein provided, the authority of the Commission over such refunded converted bonds or other obligation shall cease."

The authority of the Commissioners ends at three years from the date of the passage of the act, that is, on February 10, 1925. The members of the Commission are Secretary of the Treasury Mellon, who serves as chairman; Secretary of State Hughes, Secretary of Commerce Hoover, Senator Reed Smoot of Utah, Representative Theodore E. Burton of Ohio.

Reparations

This leads up naturally to the question of reparation payments, which, after all, represent nothing but governmental indebtedness. Without analysis, the possible desirability of cancellation of the

indebtedness of Germany for reparations might seem to apply with the same force as in connection with the Inter-Allied indebtedness. Actually, however, they do not apply because the loss and suffering caused by the devastation wrought by Germany must be borne either by the Allied nations, where the devastation occurred, or by the people of Germany. Cancellation of all reparation payments would merely transfer the loss and suffering caused by the devastation from the German people to the French people and other Allies. If the devastation wrought by Germany could be fully restored through the wave of a magic wand, the world would be better off if all reparation payments were cancelled, except such as might be said to represent a proper penalty for wanton destruction. Unfortunately, the conditions are such that the cost of the devastation must be met either by Germany or by the Allied countries in which it occurred, and, as between the two, under the circumstances, there is only one choice and Germany must pay. Admitting this, the next element that enters into the situation is the question as to how much Germany can pay, and regardless of any desires which may exist as to what amount should be paid, there is unquestionably some certain point beyond which payment is an impossibility. It must be admitted that it is difficult or impossible for the Allies to ascertain what this figure may be while Germany is in her present chaotic position.

The morale of all the peoples of Europe, and it might be said of the world, is so broken from the war strain that there is a natural disposition in every country to feel that every other country is wrong in its attitude. This condition can only be corrected as greater sincerity is introduced in the negotiations between nations and politics are thrown into the background.

Chart 3—Reparations—Amounts Claimed and Allotted

The chart (No. 3) headed "German Reparations" shows in the first column the claims filed with the Reparation Commission by the various nations; and in the second column the gross amount allotted by the Commission, pro-rated as per the Spa Agreement.

It is important in considering the question of reparations clearly to bear in mind the fact that they do not include reimbursement for the costs of the war.

By the terms of the Treaty of Peace signed at Versailles on June 28, 1919, Germany was obligated to make reparation as follows:

To civilians for damages to person or property due to all operations of war by the two groups of belligerents wherever arising, to be compensated for in full.

To prisoners of war for maltreatment and to allied governments for cost of assistance to prisoners of war and dependents.

To members of the armed forces, victims of war and to their dependents, pensions capitalized on the basis of the French army scale. To families and dependents of mobilized persons—separation allowances, the amount for each year to be capitalized on the basis of the French army scale.

In addition to reparation payments proper, Germany is obliged to pay:

All costs under the armistice and treaty.

GERMAN REPARATIONS

TOTAL AMOUNTS CLAIMED AND ALLOTTED

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(FIGURES IN MILLIONS OF DOLLARS - CONVERTED FROM GOLD MARKS AT PAR OF EXCHANGE)

CLAIMS

FILED WITH REPARATION
 COMMISSION, FEB 12, 1921

\$48,890

GERMAN REPARATIONS UNDER TREATY OF VERSAILLES

(132,000,000,000 GOLD MARKS ASSESSED
 BY COMMISSION MAY 6, 1921)

1. PROPERTY DAMAGES RESULTING
 FROM WAR, INCLUDING
 MERCHANT SHIPPING

2. PERSONAL INJURIES OF CIVIL-
 IANS AND PRISONERS
 OF WAR; ALSO PENSIONS
 AND CIVIL COMPENSA-
 TIONS

OTHER PAYMENTS

1. RESTORATION OF WAR LOAN
2. PAYMENT OF BELGIUM'S DEBT TO ALLIES-
 ABOUT 4,500,000,000
 GOLD MARKS
3. PAYMENT OF EXPENSES OF ARMIES OF
 OCCUPATION

ALLOTMENT

MADE BY REPARATION COMMISSION
 PER LONDON AGREEMENT, MAY, 1921
 PRO-RATED AS PER SPA AGREEMENT

\$31,416

ALL OTHERS
 2,042

BELGIUM
 2,513

ITALY
 3,142

BRITISH EMPIRE
 6,911

FRANCE
 16,346

ALL OTHERS
 13,608

BELGIUM
 2,566

ITALY
 4,473

BRITISH EMPIRE
 10,375

FRANCE
 15,293

GERMANY'S OBLIGATIONS UNDER PEACE TREATY - ARMISTICE TO DEC.31,1922

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(FIGURES IN MILLIONS OF DOLLARS
CONVERTED AT PAR OF EXCHANGE)

TOTAL DUE - \$3,199



DUE FOR ADVANCES BY
ALLIED NATIONS
\$1,024

FOR PURCHASE OF FOOD AND RAW MATERIALS
\$ 905

TO SECURE
GOAL
\$ 95

COST OF INTER-ALLIED
COMMISSION

COST OF ARMIES OF
OCCUPATION
\$1,104

UNITED KINGDOM, BELGIUM AND FRANCE
\$593

COST OF GANTON
MENTS - \$257

UNITED STATES
\$ 254

ON ACCOUNT OF
REPARATIONS
\$1,071

PAID
\$414

PAYABLE BY DEC. 31, 1922
\$395

DEFERRED
\$252

STATE PROPERTIES IN
CEDED TERRITORIES

UNREALIZED
\$596 (EST.)

(SOURCE - BANKERS TRUST COMPANY)

For food and raw materials furnished by the Allies.

For costs of the Army of Occupation. These payments to be a charge prior to that for reparation.

Reparations fall under three heads:

First: Restitution of objects removed but still in being.

Second: Reparation in kind for property destroyed.

Third: Financial restitution. (This last is the form of restitution generally spoken of as "reparations.")

The determination of the amount of the cash payment to be made was deferred to May 1, 1921, and was devolved upon the Reparation Commission, except that Germany was required before that date to pay 20 billion gold marks, to be credited against the amount finally assessed.

On February 12, 1921, the allied powers claiming reparations, filed claims with the Reparation Commission aggregating about 197 billion gold marks (\$46,890,000,000).

In June, 1920, representatives of the allied powers met at Spa and agreed upon a percentage basis for the distribution of the gross amount to be assessed against Germany by the Reparation Commission. These percentages were as follows:

France, 52 per cent.
British Empire, 22 per cent.
Italy, 10 per cent.
Belgium, 8 per cent.
Japan, 3½ per cent.
Portugal, ¾ per cent.
All others, 6½ per cent.

On May 6, 1921, the Reparation Commission assessed the total amount to be paid at 132 billion gold marks (\$31,416,000,000). When the percentages allowed the Allies in the Spa Agreement were applied to the reduced total of reparations finally demanded from Germany, it resulted in an increase of 1/15 to the amount to be paid France, a decrease of 5/15 to Great Britain, a decrease of 4/15 to Italy and a decrease of over 5/6 of the original claims of all others. It must be borne in mind that these figures are only approximate as they had to be converted at varying exchange rates, but they show the situation in principle.

Chart 4—Germany's Obligations and Payments, 1918-1922

The chart (No. 4) headed "Germany's Obligations Under the Peace Treaty from Armistice to December 31, 1922" shows (a) the amounts required to reimburse advances made by the Allies, (b) the amounts chargeable to Germany account of the armies of occupation, and (c) the amount required to meet the charge for interest and sinking fund on the reparation bonds for the last six months of 1921 and for the year 1922. The chart shows the amounts due under each head, the amounts paid, the amounts unpaid and the amounts deferred by permission of the Reparation Commission. There is also shown for the record the estimated but as yet unrealized value of former German state properties in ceded territories for which the new owners are obligated to account to the Reparation Commission, amounts finally received will be credited to Germany on reparation account.

The chart shows that out of the \$3,199,000,000 due to December 31, 1922, \$2,288,000,000 has been paid and the purposes to which such payments were put. The largest amount paid went for food and materials which had been advanced by the allied nations. Then comes the cost of the armies of occupation for which payments have been made amounting to \$850,000,000 and there is still due on this account \$254,000,000 to the United States. Only \$414,000,000 is available for rehabilitation and the application of all of the sums for that purpose is doubtful.

There will be no more cash payments this year, the Reparation Commission having indefinitely deferred the payment of 830,000,000 gold marks (\$197,000,000) while the payment of a further 270,000,000 gold marks (\$64,000,000) on which Belgium has a prior claim has been deferred for six months—to February or March, 1923. As to this latter amount, it is understood that Belgium will be paid at the end of the six months, but that Germany has arranged with the Reichsbank, the Bank of England and a Dutch bank to advance the amount against her notes, payable in eighteen months, the foreign banks to be secured by ear-marked Reichsbank gold.

There is still due on 1922 account payable in goods, the sum of 1,512 million gold marks, less any payments in goods which may already have been made this year but not made public.

Finally the Reparation Commission has the already mentioned claim against the nations which received physical additions from territory formerly belonging to Germany for the value of the state properties in these territories. These properties are very roughly estimated to have a realizable value of 2,504 million gold marks (\$596 million).

While the rebuilding of the devastated regions should be carried out at the expense of Germany, yet every effort possible should be made to reduce the total payments which Germany must make. The costs of the armies of occupation are tremendous and much saving should be made in this item. If a new and final plan should be agreed upon for the payment of reparations on basis possible to meet under conditions as they actually exist, and Germany accepted such plan with full intent to pay, there is reason to believe that the cost of the armies of occupation might be rapidly reduced and finally eliminated.

Consideration of the cost of the war, the Inter-Allied indebtedness and the German reparations leads up to the vital question of the taxation which is necessary to meet that part of the cost of the war which still remains unpaid and which is shown in the internal and external obligations of the governments involved.

Chart 5—Taxation—United States

The first chart (No. 5) on taxation shows the growth of taxation in the United States from 1913 to 1920 and also the proportionate growth of the Federal state and local taxes. It will be noted that the increase in Federal taxation due to the war was almost immediately followed by an increase in state and local

taxes. Such increase was caused partly by the higher cost of living and partly from the psychological effect of huge Federal expenditures which naturally induced state and local governments to increase their budgets beyond what was actually necessary and without objection on the part of the people because spending had become rife throughout the country.

Before the war, taxes levied by the national, state and local governments amounted to \$2,229 million in which the Federal government figured to the extent of 30.6 per cent.; by 1919-1920 the national tax bill had grown to \$8,918 million, with 64.3 per cent. of Federal origin. In 1920-1921 the total tax burden fell to \$8,489 million due to the decline of the Federal revenues; state and local burdens showed, however an increase of 28.8 per cent. over the preceding year. This expansion in state and local expenditures constitutes a very real danger against which this country must be on its guard.

Chart 6—Taxes and National Income Per Capita—United States

The next chart (No. 6) shows taxation in relation to national income also in the United States. The variations in both the national income and total taxation are on a per capita basis and cover the period from the beginning of the World War. While the national income has been growing, the tax burden has increased much more rapidly, with the result that in the latest year taxes (national, state and local combined) represented 14.7 per cent. of the national income as compared with 6.4 per cent. in 1913-1914. In view of the fact that the bulk of governmental expenditures paid out of taxes constitute a diversion of national funds into unproductive channels—such as the maintenance of the military and naval establishments, interest on the war debt, pensions, soldiers' relief, etc.—the situation thereby created is a serious one from the standpoint of national welfare, although in so far as pensions and relief for soldiers are concerned, it is an expense that the nation willingly bears.

The value to the United States of the President's veto of the bonus bill is clearly shown in this chart.

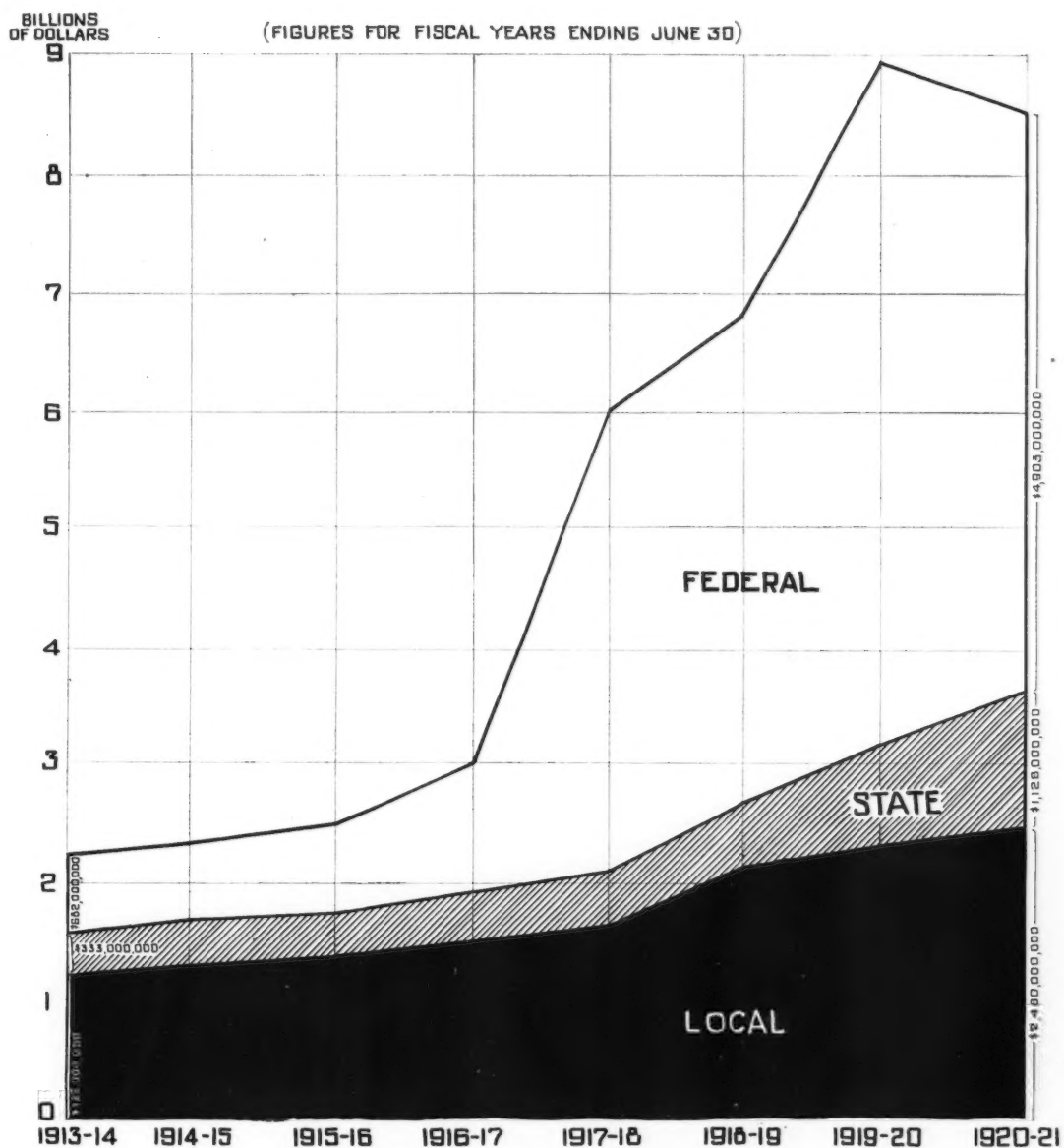
Chart 7—United States, United Kingdom, France and Germany—Government Expenditures

The expenditures for which taxation has already been raised or must be levied in the future are given in the next chart covering the United States, the United Kingdom, France and Germany. The chart (Chart 7) on national indebtedness shows the part of these expenditures which still remains to be paid. The increase in the proportion of the total expenditures made necessary by the war loans shown in the "debt charge" (that is interest on the public debt) which in all four countries practically equals the present government expenditures for civil purposes, is a real object lesson in the viciousness of excessive government borrowing and the way it increases taxation. It will be noted that the present "debt charge" in all

TAXATION - UNITED STATES

FEDERAL, STATE AND LOCAL

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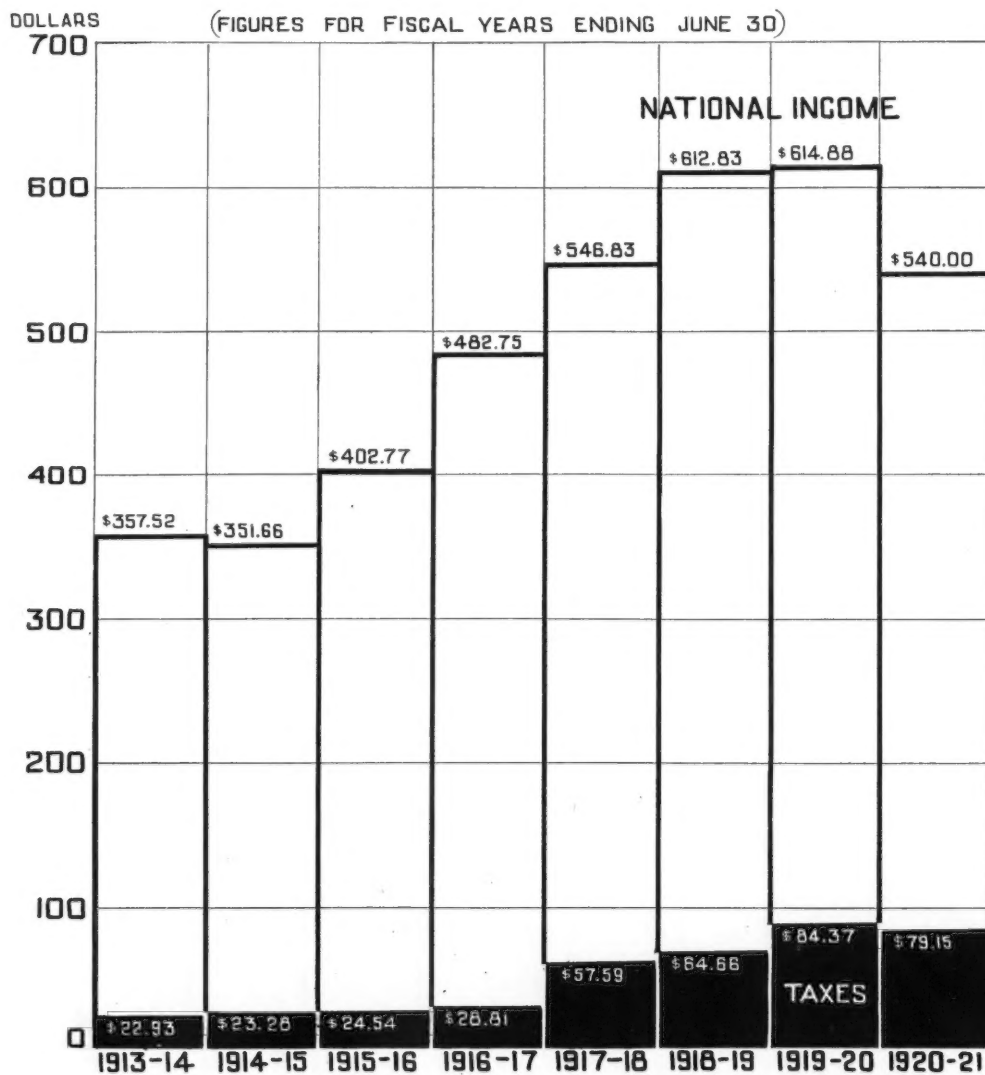
(SOURCE: NATIONAL INDUSTRIAL CONFERENCE BOARD)

TAXES AND NATIONAL INCOME PER CAPITA

UNITED STATES

FEDERAL, STATE AND LOCAL TAXES

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(SOURCES: TAXES-NATIONAL INDUSTRIAL CONFERENCE BOARD
 INCOME-NATIONAL BUREAU OF ECONOMIC RESEARCH)

four countries is more than double the civil expense before the war. The expenditures of France for reconstruction, which she hopes to recover from Germany, have also nearly equaled her civil expenditures. One exceptionally unfortunate phase of the German expenditures lies in the fact that the amounts expended under the Peace Treaty, as shown in the chart, have so far accomplished practically nothing toward meeting the costs of the reconstruction in the devastated regions, but have gone in such large part toward meeting the costs of the armies of occupation.

Chart 8—United States, United Kingdom, France and Germany—Government Receipts

These total expenditures by the four governments were met with funds obtained from loans and revenue, the relations between which are shown in the chart (No. 8) on governmental receipts which also covers the United States, Great Britain, France and Germany. It will be seen that promptly after entering the war the United States increased its taxation in tremendous percentage in addition to the huge amounts which it borrowed. The total revenue of Great Britain was raised every year from the opening of the war and its borrowing peak was reached during the war. In contrast to the action of Great Britain, it will be seen that both France and Germany obtained their funds to carry on the war entirely from borrowing, as their revenue decreased after the declaration of war. Since the Armistice, the revenue in France received from taxation, based on 1913 prices, has been increasing annually in large percentages, whereas in Germany, it has remained practically stationary. In both the United States and Great Britain there has been a reduction of the national debt and revenue has overtaken borrowing, whereas in both France and Germany borrowing still continues and in large percentage through increases in the floating debts.

While there is no question but that the methods pursued by the United States and Great Britain in filling their war chests were vastly better for these nations than the methods of France and Germany, yet it must be borne in mind that war is no respecter of economics and that practically throughout the war there were in the hands of the enemy 6,000 square miles of the north of France from which normally large amounts of taxes could have been obtained. Before the war there came from this section 74 per cent. of the coal mined in France and 92 per cent. of the iron ore and there was manufactured 81 per cent. of the iron, 60 per cent. of the steel, 80 per cent. of the woolen goods and 70 per cent. of the cotton goods produced in France.

Chart 9—World Foreign Trade of Twenty Countries

As the difficulties of carrying on foreign trade that have developed since the war have played such a tremendous part in the economic troubles of Europe and as such troubles must be worked out

largely through the re-establishment of a natural trade between the countries, no study of the present world economic situation can give a clear idea of the problems involved without a study of foreign trade. A chart (No. 9) has, therefore, been prepared of the world's foreign trade covering twenty countries.

In 1913 the aggregate value of international trade as reported by the United States Department of Commerce was approximately \$41,392 million, of which the imports were valued at \$21,540 million and the exports at \$19,852 million, the difference being due to the C. I. F. valuation of imports and their stricter control. For the years 1920 and 1921 complete data are available for twenty countries, the combined trade of which in 1913 was valued at \$31,593 million, representing 76.3 per cent. of the total world trade. In 1920 the trade of these twenty countries reached a value of \$55,718 million, an increase of 70 per cent. over 1913. In 1921, it declined to \$31,634 million or approximately to its pre-war value. The figures of trade for the first two or three months of 1922 show that the world is still suffering from the effects of the war.

A comparison by value shows that international trade in 1921 was about the same as in 1913. Not all countries register the weight of goods imported and exported. However, the figures available for some of the leading countries appear to warrant the conclusion that the physical volume of trade in each of the two post-war years shown was only slightly larger than one-half the volume of trade in 1913 and that the increase of 1921 over 1920 was insignificant.

As stated by the Department of Commerce: "The present conditions are still abnormal, being still under the shadow of the World War. A return to normal can hardly be expected until Europe has recovered, and the recovery will probably be slow. During the years from 1910 to 1913 Europe furnished on the average 49.6 per cent., or nearly one-half, of the United States imports, and took 61.7 per cent., or more than three-fifths, of the United States exports. These figures do not adequately express the importance of Europe to our foreign trade, for by taking 60 per cent. of the exports of all other countries Europe enabled those countries to purchase in our own markets. In 1920 our trade with our North American neighbors and with the Far East increased relatively much more than our trade with Europe, and the share of Europe in our trade declined, although it has improved somewhat since then. In the nine months ended March, 1922, Europe supplied 32.7 per cent. of our imports and received 54.4 percent of our exports; Europe is still our best customer, but our imports from European countries are both absolutely and relatively smaller than eight years ago.

"The European market is likewise of great importance for our competitors. European countries took 76 per cent. of the German exports in 1913, 82.4 per cent. in 1920, and 79.6 per cent. in 1921. The trade of the United Kingdom with Russia and Germany in 1913 was valued at \$1,016,491,000, representing 14.9 per cent., or more than one-seventh, of the total British trade. In 1921 British trade

with Russia, Finland, the Baltic Republics, Poland, Danzig, Germany and Luxembourg was only \$359,539,000 or 4.9 per cent. of the total, and 30 per cent. of that trade was represented by transit goods and re-exports of foreign merchandise. These figures explain why the British merchants lay so much stress on the economic rehabilitation of Russia."

In order of importance in 1921 the percentage of total trade of the twenty countries converted into dollars at average rate of exchange was as follows in 1921, 1920 and 1913:

TWENTY COUNTRIES				1921
	1921	1920	1913	P.C.
United Kingdom.	23.08	23.80	21.62	107
United States....	22.11	25.14	13.54	164
France	10.63	10.06	9.35	114
Germany	6.07	5.43	15.72	39
Canada	4.57	4.39	3.55	129
Japan	4.37	4.02	2.15	204
British India....	4.17	4.45	4.37	96
Belgium	4.05	2.99	5.05	80
Netherlands	3.84	3.23	8.87	43
Argentina	3.02	3.14	3.10	97
Australia	2.97	1.94	2.34	127
Nine Other Countries	11.12	11.41	10.34	
	100.00	100.00	100.00	
BRITISH DOMINIONS AND U. K.				
Canada	4.57	4.39	3.55	129
British India....	4.17	4.45	4.37	96
Australia	2.97	1.94	2.34	127
New Zealand....	1.06	0.73	0.66	161
Egypt	1.22	1.34	0.94	131
Union of South Africa	0.94	0.96	1.04	91
	14.93	13.81	12.90	
United Kingdom.	23.08	23.80	21.62	107
	38.01	37.61	34.52	

It is interesting to note from this chart the wonderful showing of the United Kingdom, which in 1913 had 21.62 per cent. of the world's trade, and in 1920 23.80 per cent., and in 1921 23.08 per cent.

The trade of the United States, which was only 13.50 per cent. of the total in 1913, increased in 1920 to 25.14 per cent., but dropped back in 1921 to 22.11 per cent.

France also shows an increase in its portion of the world's trade from 9.35 in 1913 to 10.06 in 1920, and again in 1921, when it was 10.63 of the total. The trade of Germany, on the other hand, fell off from 15.72 per cent. in 1913 to 5.43 per cent. in 1920, but increased slightly in 1921 to 6.07. The trade of the Netherlands fell off proportionately as its trade is normally made up in large part from the trade of Germany which passes through it. Japan shows a slightly better condition both in 1920 and 1921.

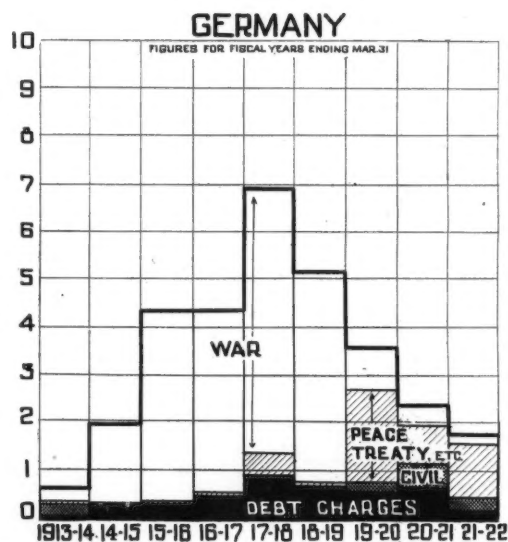
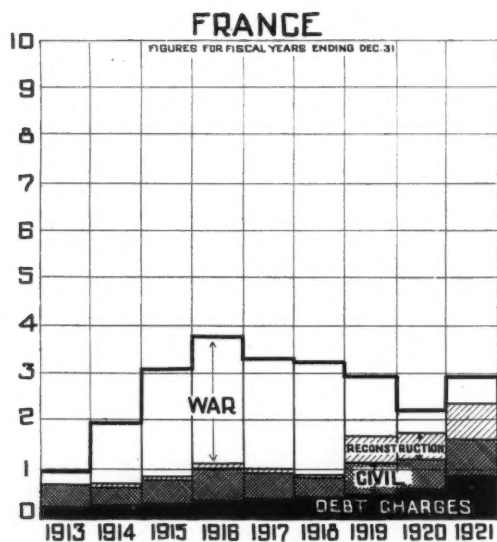
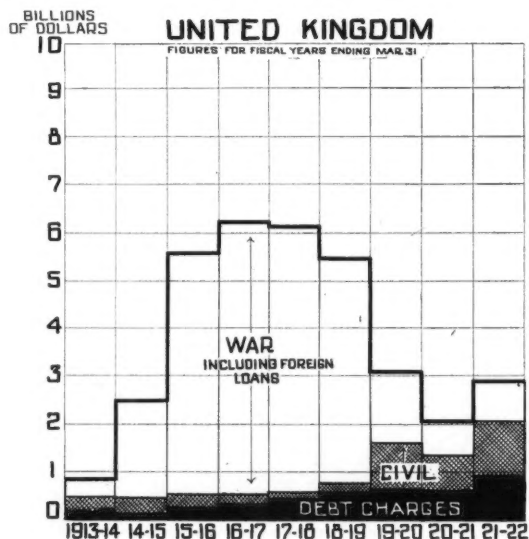
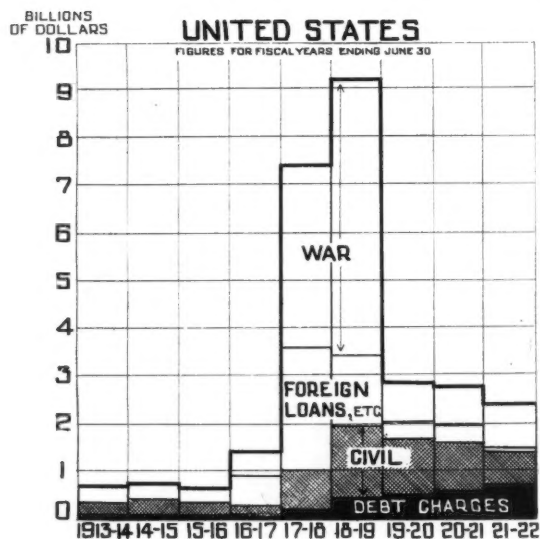
The dependence of the United States upon its foreign trade to take care of its surplus capacity to produce and manufacture is so great, that in addition, from the standpoint of our need to humanity, is the very positive need in America of the prompt restoration of the buying power of Europe.

GOVERNMENT EXPENDITURES - ADJUSTED

UNITED STATES AND FOREIGN COUNTRIES

1913 PRICE BASIS

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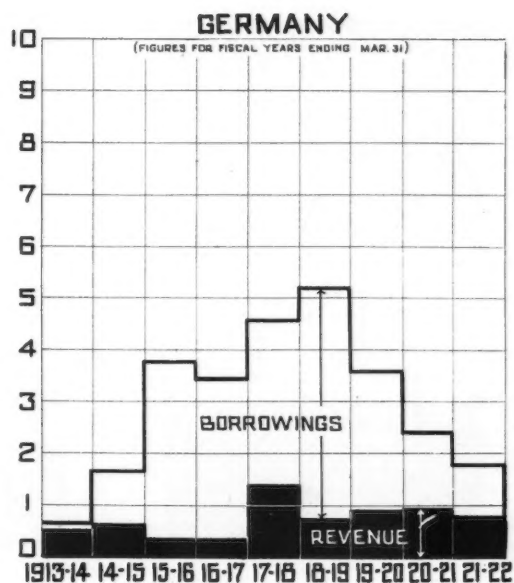
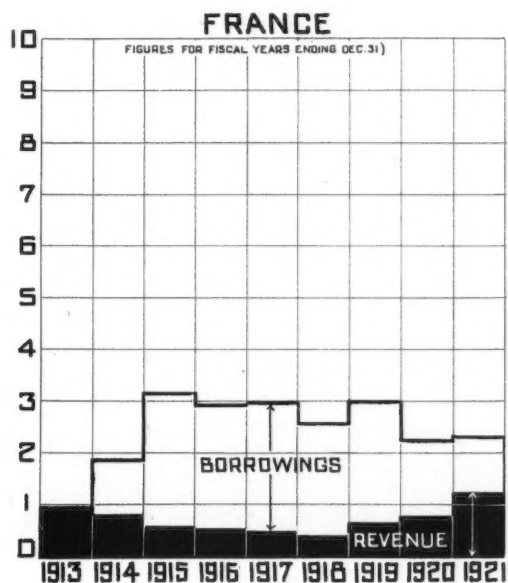
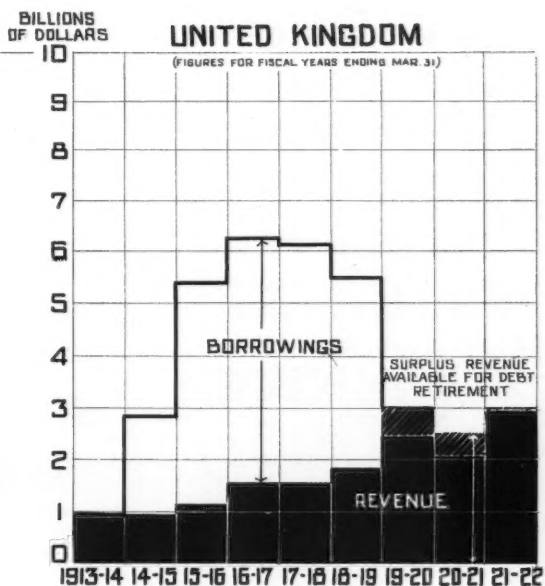
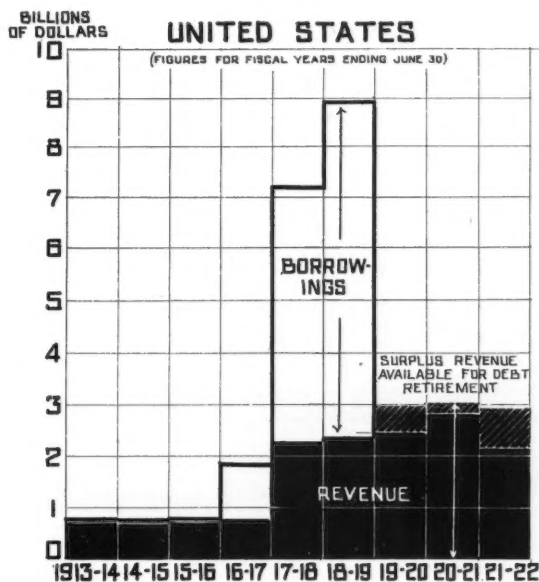
(SOURCE: BANKERS TRUST COMPANY)

GOVERNMENT RECEIPTS - ADJUSTED

UNITED STATES AND FOREIGN COUNTRIES

1913 PRICE BASIS

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(SOURCE: BANKERS TRUST COMPANY)

FOREIGN TRADE - 20 COUNTRIES

DISTRIBUTION OF TOTAL EXPORTS AND IMPORTS

REPRESENTING 76.3% OF TOTAL WORLD TRADE IN 1913

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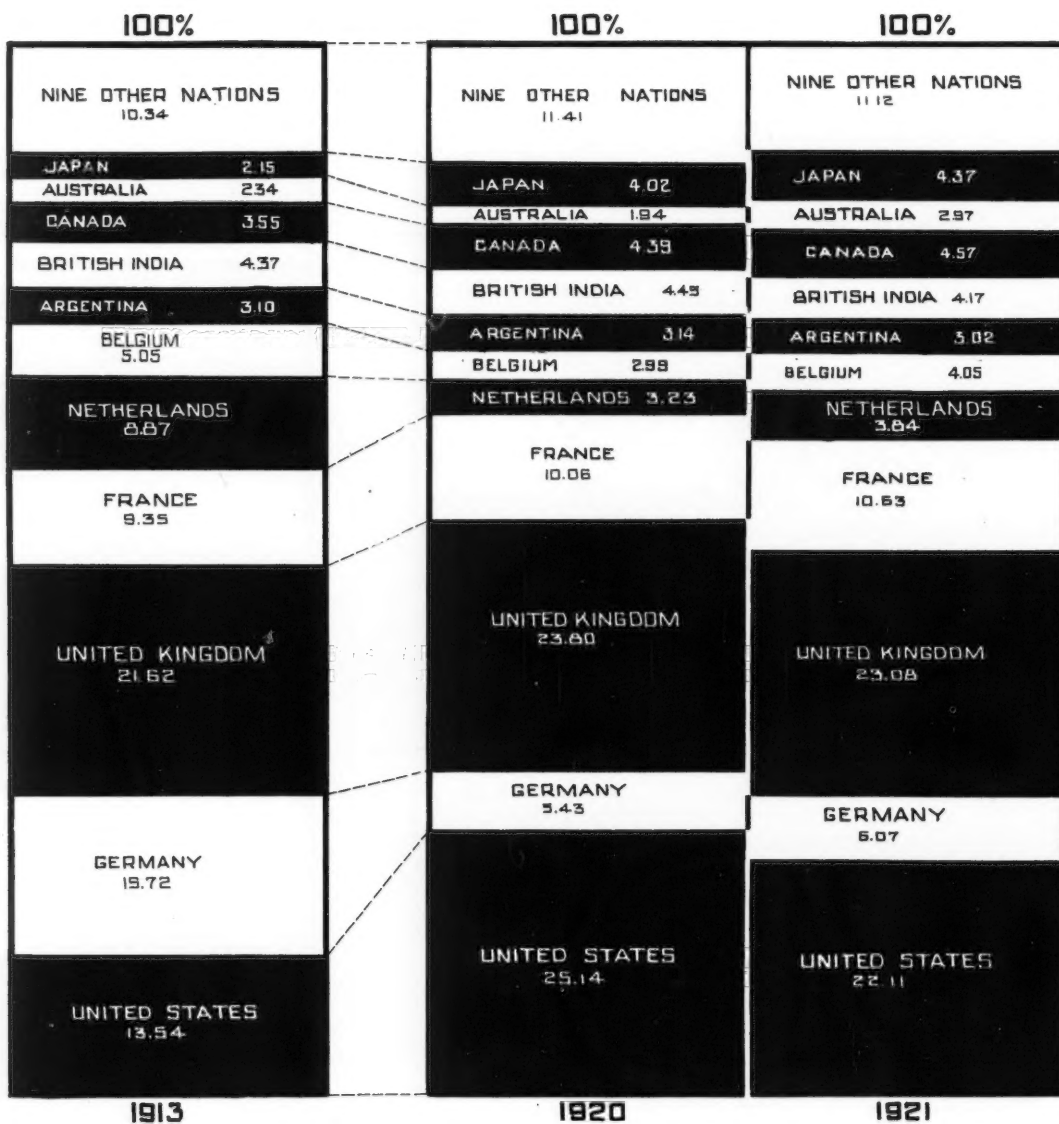


Chart 10—Foreign Trade—United States Geographical Distribution

The first chart on our own foreign trade (No. 10) covers that of the United States by grand divisions. Particular attention is called to the growing increase in imports among European countries. It is very doubtful if the people of the United States realize the tremendous proportion of our exports which go to Europe, which is shown so clearly in the chart.

The relative importance of Europe is found to be going down, however, because of her loss of buying power, and whereas 55 per cent. of our total trade was formerly with Europe, it was in 1921 under 45 per cent. The North American group, which was next in importance before the war, and produced about 24 per cent. of our total trade, has gone up to nearly 27 per cent. Trade with the South American Group has held unchanged at 8 per cent. of our total trade. On the other hand, our Asiatic and oceanic trade has considerably increased, going up from about 12 per cent. of our total trade to nearly 19 per cent.

The decrease in value of exports and imports since 1920 was due to decrease in prices as well as decrease in actual volume.

Chart 11—Value of Exports and Imports—United States, 1914-1922

This chart (No. 11) shows that since August, 1914, exports have at all times exceeded imports.

The total value of net exports of merchandise from July, 1914, to June, 1922, inclusive, was about twenty-one billions of dollars. This amount has been paid for by loans of the United States government to foreign governments, by importation of specie (gold and silver), and by the so-called invisible items—money sent home by foreigners in the United States, money spent by American tourists abroad, payments for shipping on foreign vessels, etc. The balance which has not been paid for—the "Unfunded Balance"—has been roughly estimated by the Federal Reserve Board as approximately \$3,400,000,000 on January 1, 1922, but Professor Williams of the Harvard Economic Service believes this to be too high an estimate. He places the amount due on balance for 1921 as under one billion dollars.

In this chart it is interesting to note the general parallel trend, which shows as it does the tremendous force which the necessity for our exports exercised to build up our imports in spite of the almost insurmountable difficulties with which the nations of Europe were confronted in producing a surplus for export. This was also shown in the previous chart. The effect upon foreign

trade of the crash in prices of commodities in 1920 is clearly shown through an almost perpendicular drop in exports and imports during a period of a few months.

The history of the war and its effects are wonderfully shown in the portion of the chart covering "net exports and imports." It first shows the demand of the Allies for goods before the United States entered the war, together with the increasing difficulty which they had in making payment for such imports with their own exports until, in spite of their necessity, their imports from us dropped just before the United States declared war, after which there was an immediate increase in our exports made possible through the loans which we made the Allies. After the armistice came the great boom in world trade, together with vast purchases of food and raw material by European countries required because of the devastation of war until the peak of their ability to buy on credit was reached in 1919. Then for a time they could only buy as they could find goods to pay for their imports, which brought the net export total down immediately, until the break in commodity prices in 1920 reduced the total values of both exports and imports, resulting, of course, in a much smaller net export total. The inertia of our export trade was such that it continued for a time after 1920 in larger value than our imports, which were immediately curtailed because of the lack of markets which developed in this country. This condition naturally lasted only for a short time, and the balance of trade in favor of the United States immediately worked to lower levels until now it is back to pre-war figures.

Chart 12—Values of European Currencies

One of the principal difficulties against which foreign trade has had to contend is the fluctuating foreign exchanges. These fluctuations have been caused by unbalanced foreign trade and inflation, and in order to obtain a picture of inflation as it exists in Europe, a chart has been prepared in the form of a map of Europe in which the countries whose currencies at 75 per cent. or over of the mint part are in white, those between 1 per cent. and 75 per cent. are shaded and those under 1 per cent. in black. Great Britain is the only one of the European countries which were at war whose currency is over 75 per cent. of par, the other countries in this class being the neutral nations of Europe, with the exception of Norway, where the depreciation is a little greater. France and Italy have controlled their currency inflation extremely well, although their floating debt has increased to difficult proportions. The countries under 1 per cent. include the Central

Powers, Germany and Austria and their allies, together with Poland, Roumania and Russia, and the independent countries which were formerly included within the boundaries of Russia.

The Duty of the United States

With these charts in mind a more comprehensive understanding of the economic situation of Europe and the United States, together with their trade relations, can be obtained.

A careful analysis of the economic forces which have resulted in the conditions which the charts portray carries with it the stern conviction that it is the duty of the people of the United States to identify themselves with the problems of reparations through representation upon the Reparation Commission, to use the trading force which they hold through the indebtedness of the Allies to the United States to cooperate with foreign governments in helping them control the destructive forces being exercised upon them because of the broken morale of all peoples that has resulted in unbalanced governmental budgets and inflation that would otherwise have been unnecessary, and at the proper time, at the request of the Allies, to extend such credit to Germany on a basis of priority to reparations as will enable her to balance her budget, stop inflation and help her meet reparation payments. The time for such action on the part of the United States has not yet arrived, as it is necessary for European statesmen to bring their countries into better agreement with each other and to eliminate the many needless sources of friction which still exist before credits can safely be extended. But if the United States has the will to do its part when the misunderstandings in Europe have been sufficiently cleared up to warrant and this attitude is positively made known in Europe, it will have a tremendous influence in accelerating the development of conditions which will lead with certainty to the return of normal trade between the nations, with its many blessings to all people.

Officers Elected

Upon the report of R. C. Stephenson, president St. Joseph Loan and Trust Co., South Bend, Ind., chairman of the Nominating Committee, the following officers were elected for the ensuing year:

President, John H. Puelicher, president Marshall & Ilsley Bank, Milwaukee; First Vice-President, Walter W. Head, president, Omaha National Bank, Omaha; Second Vice-President, William E. Knox, president Bowery Savings Bank, N. Y.

FOREIGN TRADE - UNITED STATES

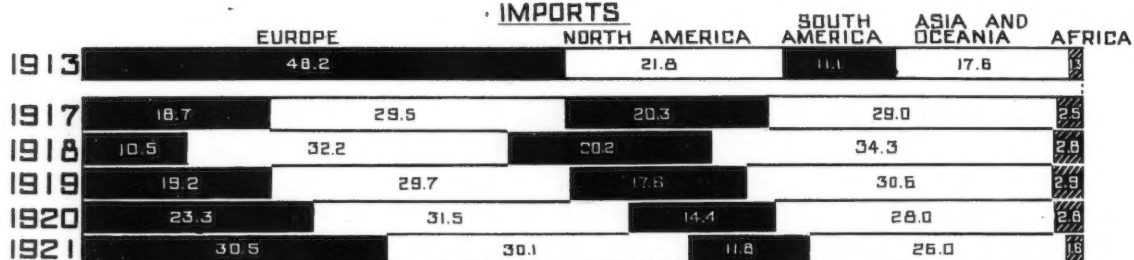
DISTRIBUTION BY GRAND DIVISIONS

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TOTAL TRADE (IMPORTS AND EXPORTS)

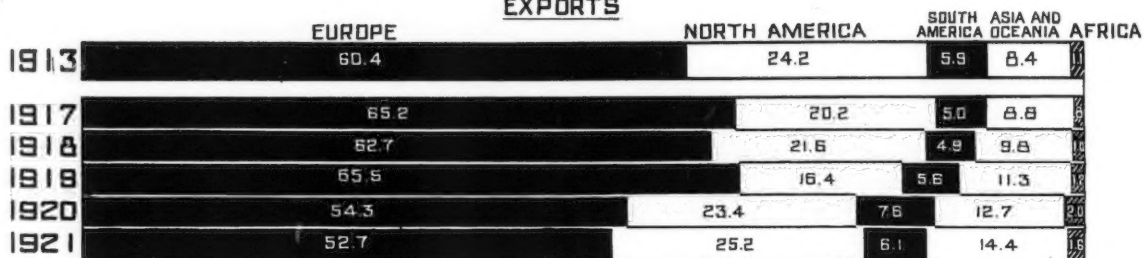


IMPORTS



100%

EXPORTS

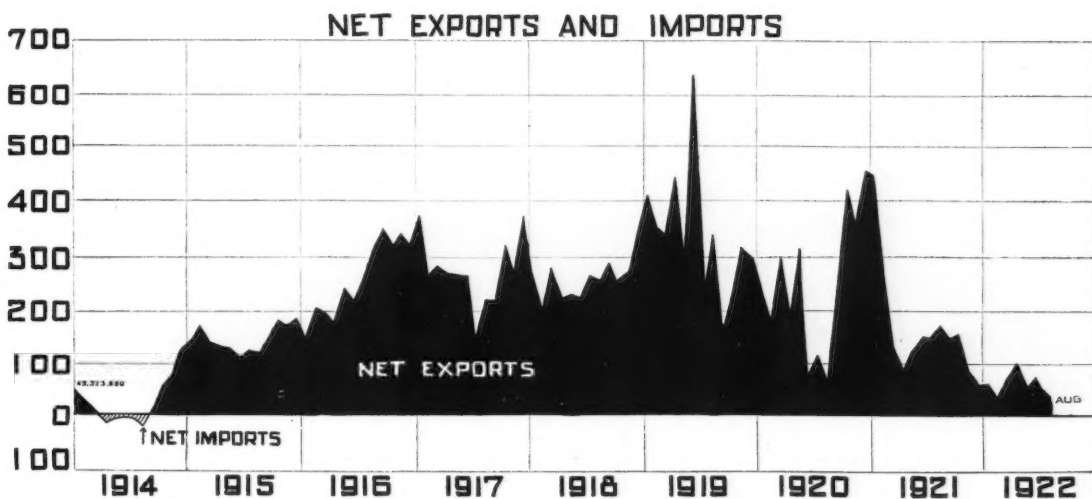
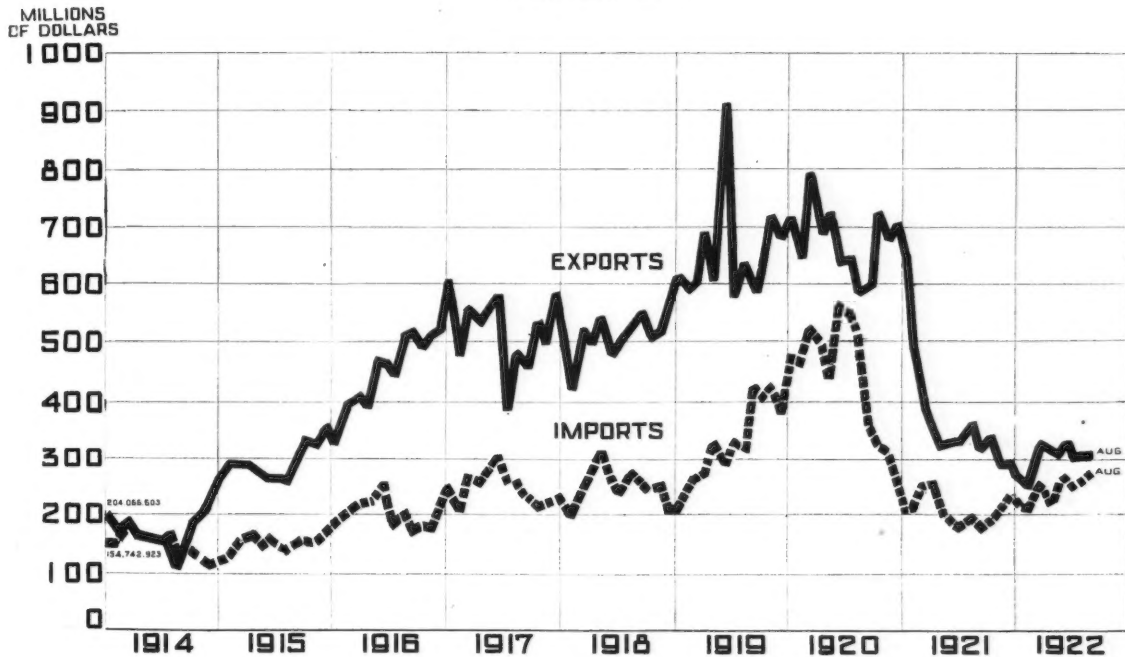


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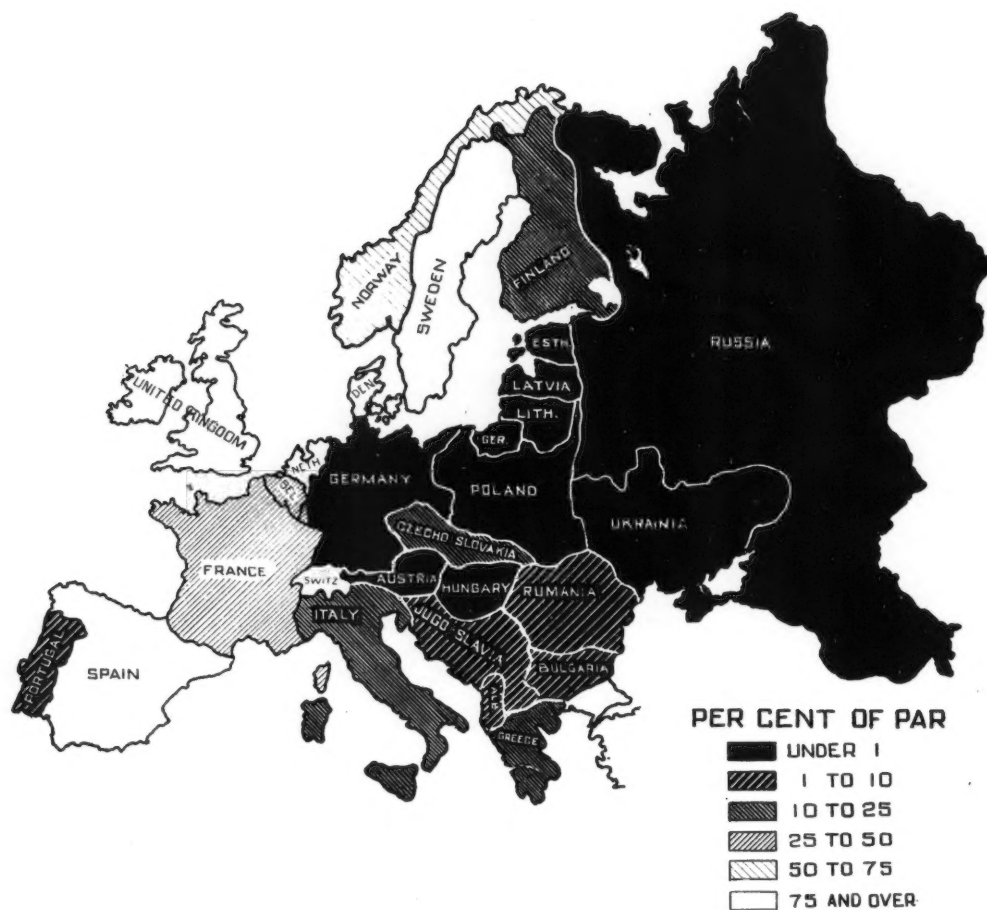
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VALUES OF EUROPEAN CURRENCIES

SEPTEMBER 1-15, 1922

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Branches of National Banks

Debate Opened by Andrew J. Frame in Opposition and by Waldo Newcomer in Favor of National Branches. The System in Canada and in Foreign Countries. Five Courses of Action for Nationals Confronted by Competition of State Banks With Branches

SHALL national banks be prevented from establishing branches within their home cities where this privilege is exercised by state banks?

There was keen interest in the convention when the debate on the above question was reached and President McAdams presented Andrew J. Frame, "the dean of all those who have opposed branch banking in America for so many years."

Monopoly vs. Democracy in Banking

MR. FRAME: As I do not wear the ermine, I leave the law to take its own course. I speak only to upbuild the nation at large.

To our mind, the paramount question before the American people today seems to be: Does the doom of the 30,000 independent banks of the United States impend? The proofs seem conclusive that these banks have done more to upbuild these powerful nation than all the cream-skimming monopolistic banks have done for other nations. If so, this nation's greatest progress is at stake.

Let us brief the case, from an earnest study of the "History of Banking in All Nations," as well as other reliable authorities, and from a practical banking experience in the United States for more than sixty years, wherein I have seen wildcat currency and wildcat banking expunged from all the states tolerating these excrescences. In fact, in Wisconsin, as one of the chief sinners, I was chairman of a banking committee that drew the statute which, thanks to our splendid bank commissioners' administration of the law, has resulted in but three small failures in nineteen years, wherein a depositor has lost a dollar of his capital! I have also seen old-world banking recede from some independent banking freedom to monopolistic banking, colossal failures and appalling losses to depositors, which should be object lessons to warn our statesmen to pause before handing over our destinies to the tender mercies of any autocratic banking power. May we ask, Has not autocracy and oppression wrecked the equilibrium of the whole world? We might concede that some small advantages may accrue to a favored few under branch banking, but, in the language of the immortal Lincoln, "the greatest good to the greatest number" would be practically eliminated. There are some natural monopolies. Surely, branch banking is not one of them.

Special Legislation

Since 1916, when the American Bankers Association, after full discussion, with but two dissenting voices, "condemned branch banking in any form," which resolution has never been reversed, the propa-

gandists in the press have flooded the nation with such sophistical preachments as these:

First: That branch banking serves the people better.

Second: That under branch banking failures and losses to depositors are lessened.

Third: That because a few of our states have granted to state banks largely in cities the special privilege to have branches, therefore the national banks should have some of the pork.

In answer to Nos. 1 and 2, let us quote from the world's history some astounding facts. Without going back to the destructive panics in Great Britain under its branch banking system from 1836 to 1839-1847 and 1857, where, according to Henry Dunning MacLeod, "private banks stopped discounting altogether. When universal ruin was at last impending," etc., permit me to quote by way of comparison in later years:

"In 1866, when Overend Gurney & Company failed for £10,000,000, the bank failures in Great Britain aggregated the stupendous sum of £50,000,000.

"In 1878 three banks in Scotland, with some 200 branches, failed for £20,000,000 with a deficit in assets about equal to the total losses to all the depositors of all the national banks of the United States since 1863. Our banking power averaged 100 times these three banks.

"In 1890 the Barings failed for £21,000,000, but was liquidated by the London banks for fear of a general upheaval."

Thus in 1866, 1878 and 1890 liabilities totaled £91,000,000. According to the report of the Comptroller of the Currency in 1901, the total liabilities:

1863 to 1901 of failed national banks	
was	\$37,000,000
1863 to 1898 of all other banks in the United States	44,000,000
Total	\$81,000,000

This is \$50,000,000 short of British failures in the panics of 1866-1878 and 1890 alone, not counting intermediate failures for forty years.

London's last bank failure with branches occurred in December, 1920, with estimated losses of \$14,000,000.

The American Encyclopedia for 1893 says of Australia: "Out of twenty-eight banks with 1,700 branches, thirteen of them, with 800 or 900 branches, failed in six months for £90,000,000. A moratorium of five years was given in which to recover. Her banking power approximated one-sixth of ours."

Are failures and losses less than under our systems?

Again: Sir Edward H. Holden, in 1919, then chairman of the Board of Directors of the Amalgamated London Joint City

and Midland Bank, which had 1,300—now 1,600—branches and \$1,600,000,000 deposits—now \$1,800,000,000—pleaded:

"1. These banking amalgamations have prevented panics and have put credit under trade and the empire.

"2. Large and powerful banks are indispensable to raise £300,000,000 sterling to restore the industries after the war, etc."

Permit me to say, the net profits in 1918 were 54 per cent. on the capital, or say 27 per cent. on capital and surplus; therefore, is branch banking philanthropic or what? The average profits of all national banks since 1863 approximated 8 or 9 per cent. per annum. Mark this fact, that 1,600 branches submit for head office conclusions all loans over \$500 before action thereon.

Some thirty years ago over 86 per cent. of Great Britain's banking power was subject to, say, eighty central banks, which now through amalgamations is reduced to five.

Less than ten great banks practically dominate the whole banking power of France and Germany.

Are these not object lessons for our avoidance?

Canada

In Canada some seventeen central banks—reduced more than one-half through amalgamations and failures in less than thirty years—now skim the cream from over 4,600 branches, leaving only the skim milk for the rural and suburban populations. Branches have no local stockholders, no presidents or cashiers. They loan no money to farmers on mortgage. They practically pay no taxes and have figureheads for managers, subject to alien officers' orders. The most serious objection is practically no profits are distributed locally where they are made, thus impoverishing the nation at large for the sole benefit of monopolizers in the great centers.

Official statistics clearly show that failures of banks and losses to depositors in Canada, compared with our national banking system, exceed ours several times over. These facts are confirmed by at least one ex-manager of a big central bank in Canada in testimony before the U. S. Senate Committee as shown in the Monetary Commission reports. He says losses are five to one in our favor. Canada has 3,000,000 square miles of territory. Her banking power is less than little Massachusetts alone. She is asleep compared to our progress.

As to monopolization putting "credit under trade and the empire," I respectfully quote briefly from a long article some years ago in the *Toronto Star*:



ANDREW J. FRAME

Chairman of the Board, Waukesha National Bank, Waukesha, Wis.

Canadian Branch Banking

"Monster banking monopoly a leech at Canada's throat, killing local industry, depopulating rural districts. Centralization of almost entire financial power in the hands of a few capitalists has resulted from our much vaunted banking system. Almost total extermination of local banks. Planting of a 'branch' to suck out local earnings, etc.

"To this accursed system of concentration of credit, the Dominion of Canada stands indebted for a contracted population of 7,000,000 in place of 25,000,000 rightfully due it under decentralized systems of banks, designed to sustain, to breathe the breath of economic life throughout the remotest as well as the most isolated of its parts, etc."

In a letter to me from the chairman of a Canadian Royal Committee appointed to investigate branch banking, he said, "The great objection to the Canadian banking system is that it concentrates the banking profits and influ-

ence in two large cities, Montreal and Toronto. This also applies to all business—manufacturing, trading, insurance and mortgage loans." His address before the Iowa State Convention last June is very illuminating.

This indictment seems to be confirmed by Walter L. Baker, of Toronto, Canada, who has long been in practical banking in Canada and who lately published a book entitled, "Money Monopoly v. the Community Dollar." I commend its reading to any one desiring light.

As time forbids, I will forbear from further quotations, except to say the independent banking system of the United States has sustained her wonderful development, has floated in the briefest time the most colossal loan campaign ever known, has upheld the credit of the great nations of Europe in the world struggle to the extent of eleven billions of dollars, to which we can add five billions on private account—our pre-war debts of say five billions are also paid and today we are a creditor nation for some sixteen

billions of dollars—therefore may we not fairly assume that it is not necessary to monopolize, to "prevent panics and failures and put credit under trade and the empire?"

Evidently, an occasional twig out from an independent system but strengthens that system, whereas under branch banking when the tree and all its branches fall, then a great public calamity follows.

I hear leave these few object lessons to an intelligent public to draw its own conclusions as to whether or no branch banking is better and failures and losses are less than ours.

Let us now take up Question No. 3.

Should special legislation be permitted to favor a few monopolists which would but drive the wedge in further and later Canadianize our whole banking system? We answer most emphatically NO!

The U. S. Comptroller of the Currency is quoted as saying, "If it had been my duty to make laws of the various States of the Union I should not have permitted branch banking."

Again, while most state laws absolutely prohibit branch banking and a few permit it in cities only, two or three states have opened the door wide.

A Menace or Not?

CALIFORNIA—California has 280 branches out of 900 banks in the state. The Bank of Italy has some sixty in various sections of the state and the end seems not yet. The First National Bank of Los Angeles has absorbed some twenty-five branches and the independent banks throughout California are in a state of panic over coercive measures that seem to say, "Sell out to us or we will drive you out of existence."

MICHIGAN—In Michigan, the law prohibits branch banking except in cities. In Detroit, there are 168 branches of ten state banks. The president of the First National Bank there pleads that because state banks have this special privilege therefore national banks should also. He says, "As a matter of fact, branch banks are nothing more in effect than branch offices to receive deposits"—for the branch as a rule makes no loans. The branch manager has authority to loan up to \$500 or \$1,000 but applications above this limit go before the head office, largely miles away. A beautiful and enticing picture for the suburban resident who has spent his life in upbuilding his section through community banking, trade, manufacturing, etc.

In short, give us power to skim the cream from the suburbs and leave the skim milk for those who produce it.

MISSOURI—Branch banking is not permitted under her laws, therefore the suburban banks of St. Louis became alarmed because the First National Bank there took steps to open "offices" in South St. Louis, some miles away, in competition with the several strong banks there which had borne the heat and burden of decades in developing local industries.

WISCONSIN—At the 1922 State Bankers' Convention, the following appeal was broadcasted: "Are you awake and ready to combat the new branch bank menace which is threatening to wipe out the independent city and country banks

of America?" A full house unanimously thundered approval. That convention adopted this resolution:

"Resolved, By the Wisconsin Bankers Association in 1922 Convention assembled, that we are unalterably opposed to branch banking in any form in the state or nation, and that we deplore their recent growth in some other states, and be it further,

"Resolved, That we will regard the establishment of branch banks in this state as an act unfriendly to the banks of Wisconsin."

OHIO AND MICHIGAN—Comptroller Crissinger says, to illustrate: "In my own state of Ohio, we have a bank in Cleveland, operating under a state charter, with forty-six branches in that city, and it is now extending its operations throughout the state and has absorbed—practically put out of business—all the big national banks in Cleveland. Take the city of Detroit, with only three national banks (all rather husky) the rest having been put out of business by 185 state banks and branches."

Parallel conditions might be multiplied in Illinois, Minnesota, Connecticut and other states.

With such conditions before us will this nation awake to its peril or sleep at the switch?

If a few big state banks, having branches, can "put out of business" all other competitors and the big national banks are endowed with like powers, how long will it take to put all the independent state and national banks out of business?

Have the smaller banks of this nation no rights which the monopolist is bound to respect?

If it is a slow poison that is eating out the life of the independent banks in a few states, is that a sound reason for grafting the cancer upon the great national banking system?

Honeyed transparent suggestions are being freely used to get Congress to permit branches of national banks in cities. If granted this would surely open wide the door to Canadianize both our banking systems. "This nation cannot live half slave and half free."

The National Bank Act apparently prohibits branch banking, yet for sixty years, though bills to amend the law permitting it have repeatedly been presented in Congress, according to the chairman of the House of Representatives Banking Committee, "It has not been possible up to the present time to get a bill in any form whatsoever through Congress that would authorize national banks to have branches."

In view of these facts, is it not amazing that any Comptroller of the Currency should approve of branches? Is it not amazing that any banker should defy this record and proceed to drive the wedge further toward monopolizing our independent banking systems?

Do these banks, claiming the Congressionally denied right, need to absorb other banks to keep them from starvation? We all glory in our great central banks' success when they stand on their own legs, in fair competition with the independent banks of the nation. Is supreme selfishness to override justice toward all?

Out of a barrel full of reasons against branch banking, permit me to quote from

a few eminent authorities to sustain my main contentions:

The *Commercial and Financial Chronicle*, New York: "We would have our individual free and independent nationals preserved from this encroachment just as we would have our state banks preserved. We are far from believing in a vast, sinister 'Money Power.'

"With permitted small capitalization under supervision, we think our community wealth and prowess is such that a bank will spring up for intimate service, sustained by popular regard, in every spot in this country which needs or ought to have a bank."

The *American Banker*, New York: "We believe with Mr. Crissinger that the best thing is not to have branch banking in any form, and we also believe that the preservation of our independent banking system is more important even than the preservation of our national banking system. Let us hope that the Comptroller, instead of encouraging national banks to go into branch banking from a defensive viewpoint, will cooperate in legislation to stop the extension of branch banking in the states."

Barron's Weekly, Boston (Mr. Barron is also president of the *Wall Street Journal*): "The question is a highly interesting one, and most of us will share Andrew J. Frame's well-grounded distrust of a merger of twenty-five banks in Southern California, all under the protecting wing of the First National Bank of Los Angeles. For the needs of the American people this merger looks uncommonly like a step in the wrong direction."

The *Manufacturers Record*, Baltimore: "There is a new snake crawling in the financial domain and the time to scotch it and paralyze it is now. In branch banking by national banks is the seed of arrogance, the promise of tyranny, the insolence of lawlessness, a conspiracy for centralization and the yoking of the less developed communities to the juggernauts of metropolitan financiers." The editor pleads for "that intimate personal knowledge" under independent banking which is so essential to our greatest progress."

Remedy

Time forbids further quotations except to say, the true remedy lies in cutting out the cancer from state and nation. Special legislation in favor of the rich as against the progressive many is clearly un-American and directly antagonistic to the spirit of constitutional liberty. Let us not dry up the streams of progress through a mistaken grab all, lose all error. It seems impossible that our statesmen can be seduced into political as well as economic suicide through indorsing such destructive fallacies.

In this land where great prosperity abounds, may we not well exclaim, "Thank God, we live under the Stars and Stripes?" Our only dark clouds emanate from the preacher of the gospel of discontent. The object lessons of monopoly, arrogance and oppression of the past decade in the old world should warn us that American freedom should not be superseded by any oligarchy; branch banking is a calamity to any city, state or nation.

Mr. Newcomer's Opening

WALDO NEWCOMER, president of the National Exchange Bank, Baltimore, Md., speaking in favor of permitting national banks to have branches, said:

It will not be necessary for me to use all of even the limited time at my disposal today, for when a cause is that of justice and right it requires very few arguments and very little oratory to sustain it. If the decision of this question were to be decided by a partisan vote we know that the state banks outnumber the national banks by an overwhelming majority, and they can by force of might refuse to sanction the granting to national banks of the privilege which many of them enjoy, and a debate on the question would be a waste of time. But might does not make right, and I have enough confidence in the fairness of the members of the American Bankers Association to believe that the average man in it wants to do what is right and, provided he is convinced that a thing is right and fair and at the same time conservative, he will vote for it, and that that average man is numerous enough to carry the vote and control the action of this convention.

Ever since the inception of the National Bank Act it has been assumed and believed that a national bank had no power to establish branches. It is not my purpose today to enter into any technical or legal discussion as to whether "a location" means several locations or whether an "office" is a branch, but to confine myself to a very simple proposition of ordinary honesty and fair play.

If the convention feels that branch banking in all shapes and under all conditions is unconservative and bad banking, then it should not approve of a branch bank maintained by any of its members, irrespective of what the law will permit. If, on the other hand, it believes that the resolution of condemnation passed at the Kansas City convention was too sweeping and that there are circumstances under which branch banking is conservative and justifiable, then it should lend its hearty cooperation to securing under such conservative and safe conditions the right of a national bank to establish branches along with those of state banks.

The question has become very acute during the past few years through the establishment of branches by state banks in all parts of the country, in direct competition with the national banks in that same locality and with no power on the part of the latter to retaliate. Now, when a national bank finds itself confronted with such competition and finds that it is losing its business through its inability to take the same step as its competitor, what possible courses of action are open to it?

First. It can supinely sit down and lose its business to its competitor. Surely no red-blooded man will approve of this, and the American Bankers Association cannot afford to indorse it.

Secondly. It can surrender its national bank charter and become a state bank. Such a course, if generally followed,

would lead to the destruction of the national bank system and seriously threaten to disrupt the entire Federal Reserve System, of which the national banks form the backbone. Furthermore, such action would be an admission that the formation of a branch is good banking, but that the national banks are not to be permitted to be progressive.

Thirdly. It can temporarily surrender its charter, become a state bank, absorb a bank with branches, or form branches of its own and renew its national charter.

Fourthly. It can establish branches and call them "offices." Both of these last two plans are indirect ways of doing what the bank believes to be right, but they are apparent evasions of the possible intent of the law, and if they are right the law should be so changed as to make the bank's right clear and unequivocal and to establish the proper restrictions and limitations.

Fifthly. It can endeavor to deprive a state bank of its unfair power. This latter, however, is practically impossible. Branch banking is permitted in seventeen states, prohibited in sixteen, and in the other fifteen and in the District of Columbia there is no specific provision on the subject. In a number of the latter states branches exist, and even in many of those states which prohibit branches those branches which were in existence at the time of the passage of the law are permitted to remain. So that the number of states in which branches do not and cannot exist is very small. It is manifestly impossible to change the laws of so many states or to interfere with the charter rights of banks having the privilege.

The Only Solution

It is self-evident then that the only solution of the problem which is open to any reasonable defense and which can commend itself to any fair-minded person is such a change of law as will permit national banks, at least in those states which permit branch banking to the state institutions, to establish branches within the corporate limits of their city. Now, the only possible objections that can be urged to such a course may be divided into two classes: The theoretical objection that branch banking is not conservative and that proper supervision cannot be kept over a banking business spread out among various "offices"; and a second objection based entirely on a question of policy and the fear that however conservative and proper such a course may be from the standpoint of good banking, it is against public policy in that some of the large banks in the chief money centers might eventually extend over the country to the injury and possible extinction of the small privately-owned banks.

Let us look at these two objections for just one moment. First, as to the objection that it is unconservative banking. Experience answers this immediately by pointing out that branch banking has existed for years, not only in foreign countries and in Canada, but right here in our own country, and even the Federal Reserve Act gives the national banks the privilege of opening branches in for-

eign countries and a number of such branches have been opened up. Even the most rabid objector to branch banking cannot possibly assert that the banks which are today operating such branches are not in general strong, conservative banks and well managed, and if they can properly supervise branches in Europe and South America, there can be no difficulty in supervising branches within their own city. In other words, there can be no objection on the score of unconservatism or of danger to depositors, customers or stockholders of the bank in question, but the objection must be limited to the question of public policy.

On this ground of public policy the objectors claim with loud shouts and clamor that the result of a policy of branch banking will be that the large banks in the great money centers of the country will establish branches throughout the land and drive out the small privately-owned bank. This argument presupposes an unlimited power to establish branches everywhere. Such a course is not advocated by the National Bank Division nor would it have the approval of our best financiers and most thoughtful men.

Nationals Want Same Rights

The national banks are asking only for the same right that the state banks have and are perfectly content to have the power confined to the city in which they are located. In such cases if they had the power or the desire to drive the small bank out of business, they could do it without branches. If such a power or desire did exist, it is just as likely to exist in the minds of the management of the large state banks as in those of the national banks. Have the state banks in this country with all their branches driven the small banks out of existence? They have or they have not. If they have not, what possible reason is there for assuming that national banks would do so? If they have, how would the national banks change the situation? I have not overlooked the resolution passed at the convention in Kansas City by a divided vote, when the Association went on record as opposed to branch banking in any form. In the first place, that was by no means a unanimous opinion of the body; in the second place, conditions have so changed since that the resolution does not prevent branch banking. It does not and cannot have this effect. Branch banks exist and are multiplying. It merely prevents the Association from taking active part in securing to its national bank members the same rights as are enjoyed by the state bank members.

It seems to me, therefore, that the question narrows itself down to an extremely simple proposition of plain honesty. It is the duty of this Association to protect the interests of all classes of its members and it must now face this question.

If you believe that branch banking is conservative and safe under limited conditions, it is your absolute duty to get back of and support strongly a move to grant under those conditions that right to national banks, which will put them on a parity with your state bank members.

If, on the other hand, you believe that the Kansas City resolution is still correct as it stood and that all branch banking under all circumstances is bad banking, then you must not only refuse to support the national banks in what they believe to be their rights but must immediately demand that every member bank, whether state or national, which today has any branches or offices other than its main office must forthwith close those branches and offices or immediately resign from membership in this Association, as doing an unconservative business not approved and supported by the American Bankers Association. There is no alternative; there is no other horn to the dilemma; there is no middle ground.

Mr. Jeffries

S. B. JEFFRIES, vice-president National City Bank, St. Louis: Gentlemen, I want to say that Mr. Newcomer was entirely fair in his position. The opponents of branch banks accept the challenge which he has made in the statement that they are either right or wrong.

If the branch banking system is right, let it be extended to every state in the Union. If it is wrong, let the American Bankers Association go on record as opposing the system anywhere and everywhere.

The American people, as a nation, and from a national standpoint, have always stood opposed to the branch banking system. They have, in such capacity, always favored and demanded the time-honored American system composed of locally owned and locally operated individual banks.

And the question which is before the American Bankers Association today will present itself in the political situation of this country before many months have passed away, as we shall see if further attempts be made to break down this individual system of banking, of forcing the entering wedge in order that a revolution in the system might take place.

One of the most potent reasons for defeat of the measure in Congress to extend the life of the charter of the United States Bank, which expired in 1836, was the right of the bank to establish branches in the various states of the Union. Senator Benton from Missouri, who for a period of eight years led the fight against the institution, addressed the Senate, and in the course of his masterly argument may be found the following, which, I believe, ladies and gentlemen, is applicable to the conditions in the United States, though practically one hundred years have passed away. He said:

"The charter gives the bank the privilege to establish branches in different states without their consent and in defiance of their resistance. No one can deny the degrading and injurious tendency of this privilege, monopolistic in its character. It is the interrogation of the sovereignty of the state; it tramples upon her laws, opens her government to the attacks of centralism. It impairs the property of her citizens and fastens a vampire upon her bosom to suck out her gold and silver."

My friends, what was true of a nation is now true not only of the nation, but also as to each and every financial and industrial center.

The Constitution of the United States makes no reference to banks, but my position is this: Shall we now, because a few states have chosen to disregard this long-established and closely guarded policy of the people ask Congress for the right to permit national banks to do violence to the traditions of our country as regards this branch banking system? A few other states may follow those already offending.

Until the whole nation, speaking through its representatives in Congress, decree otherwise by general law, the policy should stand inviolate.

Rather than commit an invasion of fundamentals, would it not be better, my fellow citizens, to stand loyal to the precepts of the fathers and spend our patriotic energies in prevailing upon offending states to return to the altar of our country?

I would like to offer a resolution which has been prepared for introduction at this time:

"Resolved, By the American Bankers Association that we view with alarm the establishment of branch banking in the United States and the attempt to permit and legalize branch banking; that we hereby express our disapproval of and opposition to branch banks in any form in our nation.

"Resolved, That we regard branch banking or the establishment of additional offices by banks as detrimental to the best interests of the people of the United States. Branch banking is contrary to public policy, violates the basic principles of our government and concentrates the credit of the nation and the power of money in the hands of a few."

PRESIDENT McADAMS: Without debate, the vote is upon the question: Shall the resolution be considered by the convention?

The motion was carried.

PRESIDENT McADAMS: As there are 200 votes in support of the resolution, it is now before the convention for discussion and action.

Mr. Preston

THOMAS R. PRESTON, president Hamilton National Bank, Chattanooga, Tenn.: The question of branch banking is such a large one we are very apt to drift from the real subject.

I agree with my distinguished friend from Wisconsin in most of what he has said. He is often right, but whether right or wrong, we will all admit that he is very vigorous. I am opposed to branch banking in any form that will destroy the independent banks of this country.

But is it fair and right to permit one class of banks a privilege and deny that to another class? For instance, in the city of Detroit, according to the Comptroller's figures, there are 185 banking houses or banking points in that great city. One hundred and eighty-two of them are represented by state banks and their branches and only three by national banks. Can you, in a spirit of fairness, fail to grant, or fail to indorse the proposition granting those national banks precisely the same privilege as the state banks?

As chairman of the Executive Committee of the National Bank Division, I have

had an opportunity to hear this question discussed, and I think it only fair at this time that I read to you this declaration upon this in the convention in California. I will only read one paragraph. This, I think, clearly defines the position of that Association, as expressed in its organized capacity.

"Therefore Be It Resolved, That the National Bank Division of the American Bankers Association requests the Congress of the United States to so amend the National Bank Act as to permit the national banks to maintain and operate branches within the corporate limits of the cities in which the head offices of such banks are located; to be confined, however, to states in which state-chartered institutions are authorized to have branches."

That, covers the subject before us.

Someone asked Abraham Lincoln what he thought of it. His reply was that the farmers were no better and no worse than other people. The same impulses that moved others, move them. I believe that that applies to the national banks of this country. They are no better and no worse than other banks, and the same impulses that move others, move them. Is it fair to have the thirty-two states of the Union granting a privilege to state banks and denying, in those states (because that is the subject of the resolution) precisely the same privilege? I do not believe, in fairness, that the American Bankers Association can so go on record.

Mr. West

ROY WEST, Chicago and Cook County Bankers Association: On behalf of 140 state and national banks in the city of Chicago and the county of Cook, and as a stockholder and director in national and state banks in Chicago and down-state, I speak for the resolution and I second the motion to adopt the resolution.

Mr. Watts

F. O. WATTS, First National Bank in St. Louis: For more than a quarter of a century I have taken part more or less actively in the affairs of the American Bankers Association and never until I came to this convention have I been accused of being a trouble-maker. In the study of the situation as it exists in one of the larger cities of this country, I concluded that it was quite necessary to find some way of carrying the banking service throughout the city in which we were located. I was seeking some indirect way and in doing so I thought I discovered a way in which it might be done directly. The solution of that problem now is a judicial one and I believe the institution with which I am connected will do a service to all the banks of the country if they finally determine what the rights of the national banks are.

This subject has brought out some interesting sidelights. I see here today St. Louis bankers who have never seen a bankers' convention held outside of the city of St. Louis. It seems to me we should not decide upon this subject in the limited time at our disposal, because a subject decided wrong is never

decided; however temperate and considerate our deliberations may be, this subject will never be settled until it is settled right, and if I were following in the chair of the American Bankers Association for this and subsequent years, I think I would keep this subject on the program. I think that it would tend to keep the interest in this Association at the pitch which you have seen it today. I sincerely hope that my friends from St. Louis will be continuing, in their interest, in the American Bankers Association. My friend, the astute lawyer from St. Louis—and I would not have told you that he was an astute lawyer if he hadn't told you himself by addressing you as the Bar Association (laughter)—I hope his interest may be a continuing one. I hope the gentleman who seconded the resolution, who I understand is an attorney-at-law—I hope his interest may be a continuing one. But, gentlemen, this subject so far as the American Bankers Association is concerned, must be settled by the American bankers, however this vote may be today—and I daresay the vote will be favorable to this particular resolution. But the question will not be settled then. It seems to me in this discussion there is one factor that has been overlooked, a factor which is too often overlooked in discussions in this country; that is the ultimate consumer, that is, the man who uses bank service. I would like to ask if there is a man within the sound of my voice, if there is a citizen of the city of New York who could say that the consumer of bank service would not be served better through the medium of additional offices, or service stations on the part of your great banks in this city, as compared with any other form of service? I ask that question of the bankers of the city of Cleveland, or Detroit or the bankers of other cities?

Cries of "Time!"

MR. WATTS: Gentlemen, I thank you for your courtesy. (Laughter.) I bow to the rule. I may say in conclusion, Mr. President, that I hope at other conventions of this Association to have the privilege of discussing this subject until it may be settled in a manner that is sound and for the best interests of all the people, and therefore for the best interests of the banking business of this country.

Mr. Prince

N. D. PRINCE, vice-president Hartford, Connecticut, Trust Co.: On behalf of our Connecticut banks and bankers, I want to add the second of the Association for the adoption of this resolution.

In order that my motion may not be misunderstood as that of usurping the power of Connecticut banks and bankers, I want to say that two or three weeks ago, realizing that this question of branch banking would be a very pertinent one and an important one for discussion at this convention, a regularly called meeting was held at which this question was very carefully and thoroughly debated, and a resolution similar to the one which is now before us was practically unanimously adopted. It, therefore, is not only my own personal privilege but my

duty to second the motion which is now before you.

Mr. Lonsdale

JOHN G. LONSDALE, president of the National Bank of Commerce, St. Louis: The National Bank Division believes in promptness of action with a due regard to all whom that action may affect. I therefore desire, in order that this issue may be met squarely, to propose an amendment to the resolution and that is, after the word "uniform" that there be added, "by the state or national bank."

It is proper that a fair-minded discussion be brought before this, the banking parliament of the nation, and the National Bank Division has asked for equality, for that great American privilege, and therefore, I offer that amendment to the resolution.

MR. JEFFRIES: I am willing to accept Mr. Lonsdale's amendment.

PRESIDENT McADAMS: Mr. Lonsdale moves an amendment to the resolution proposed by Mr. Jeffries, and the amendment, as I understand, is accepted by Mr. Jeffries, the original mover, making the first part of the resolution read as follows:

"Resolved, By the American Bankers Association that we view with alarm the establishment of branch banking in the United States, and the attempt to permit and legalize branch banking; that we hereby express our disapproval of and opposition to branch banking in any form by state or national banks in our nation."

The amendment is now before you for consideration.

Mr. Bonyge

W. A. BONYGE, President Commercial National Bank, Los Angeles: Mr. President and Members of the American Bankers Association: It seems to us that the question that is now before the house is one that has passed beyond the jurisdiction of this organization. It seems to me that it is a question that can be controlled only by the individual state legislatures. It seems to me that the motions before the house, while they may give you a certain gratification to express your feelings, are totally inadequate to do you any good. What are you going to get from it? Is the Legislature of the state of New York or the state of California, or of any other state, which permits branch banking, going to be influenced by this resolution here?

Cries of "Yes!"

MR. BONYGE: No, they won't in California. It has taken too firm a hold there and it is too popular. Now, gentlemen, I don't believe personally in branch banking. While I am president of a national bank that is operating three agencies under the written consent of the Comptroller of the Currency, I want to say that I am still not in favor of branch banking. It was only under the pressure of the state banks surrounding us with a ring of branches all around us and taking our business from us, that

we felt compelled to take that course. I can see the possible menace of the concentration of capital in a few hands if branch banking became a national affair, but I do not see the same menace if that branch banking is kept down to the states and to such states as want it.

I have prepared here a resolution which I will offer as a substitute to the motion and the amendment. This resolution, I believe, will suit a great many people who would otherwise be opposed to branch banking. It reads:

Whereas, A number of the states either allow or have provided by legislation for the maintenance of branches by their own chartered banks, and

Whereas, It is now being contended that the present national banking laws permit the operation of branches by national banks.

(The best of lawyers differ on this question, but you must remember that the most important question that was ever decided by the Supreme Court of the United States was decided by seven votes—you all know what that is.)

Whereas, If such contention should be sustained it might result in the establishment by national banks of branches, not only in states where branch banking is permitted by the laws of such states, but also in states that do not permit the operation of branches by their own state banks; or even further, it might be maintained that national banks have the right to establish branches not only in their own but in any number of states.

Many of you here are aware that the state of New Jersey has two branch national banks operating in the city of Philadelphia for over forty years, and it has never been interfered with. I have that from the authority of the Comptroller of the Currency.

Therefore, The American Bankers Association in convention assembled hereby resolves:

First, we acknowledge the right of every state to regulate the business of banking as conducted by their own state banks through such laws as they may see fit to enact.

I want to know: Is there anything wrong about that? Does anybody challenge it?

Second, wherever the laws of any state provide for the operation of branches by their state banks, we believe that similar privileges should be provided for by Federal laws to enable national banks to compete on equal terms with the state banks.

Gentleman, is that fair or not?

Third, we are opposed to any law or construction of a law that would permit national banks to establish branches in any state where branch banking is not authorized by the laws of that state.

Fourth, we are opposed to the establishment by any bank, either state or national, of branches in any other than their home state.

I move the adoption of those resolutions as a substitute to the motion and the amendment.

PRESIDENT McADAMS: The question is now upon the adoption of the substitute. Is there any discussion?

DANIEL F. GUINAN, treasurer Merchants Bank & Trust Co., Mahoney, Pa.: In rising to address this convention, the uppermost thought in my mind is to show reason why the substitute should not pre-

vail as it evades an issue which should have a free discussion before the members of this Association. It has been argued that bank branches create a monopoly and this monopoly endangers the public interest and the public welfare.

That argument has not been met by any of the advocates of bank branches. They have alleged that in so much as an evil has been committed by state banks, that two evils are better than one, and for that reason they wish to invade the same field of bank monopoly in their respective communities.

It has been argued by the first speaker for national branches that the Federal Reserve Act does permit branches for national banks in foreign cities or foreign countries. In that they have our good wishes and Godspeed for then they do us no injury.

Beneath the question there is another question, than who shall make the money in the banking business. Whether it be the large bank of the big city or the small bank is but a trivial and insignificant question compared to the influence that it has on the public interest and the public welfare.

I am reminded of the possibilities of bank monopoly in the discussion by the celebrated English talker this morning, when he brought home to you one telling fact, that in the United Kingdom there were only thirty-nine banks and these had 9,000 branches. Do you believe that there is a relation between credit and the power centralized in government?

Jackson's Decision

I must go back and remind you that during the time of the United States National Bank which expired by the veto of Andrew Jackson, he offered one argument which should live in the mind of every man who is going to vote on this question. He was approached by Andrew Biddle after that legislation had passed both the House of Representatives and the United States Senate. And Andrew Biddle said to him, asking him to endorse the perpetuation of the United States National Bank, and the centralization of power, "Do you know what power this United States Bank has? Do you know that it has branches in every state of the Union? Do you know that it has branches in every city of every state of the Union? Do you know that it can name the governor of any state in the Union? Do you know that it has power to name the next President of the United States?"

And Andrew Jackson, stern advocate of the public interest that he was, said: "If the United States Bank has all the power that you claim it has, then it has more power than anything in a free country ought to have, and by the living eternal it shall be destroyed."

So he vetoed it and the centralization of power went away from the national banks.

Today it is revived in the absorption of the state banks in the different states and you see the evil influence where thirty-nine banks in the Kingdom of Great Britain have a power over nine thousand banks in the same kingdom.

PRESIDENT McADAMS: It is moved and seconded that the substitute motion be laid on the table. That motion is not debatable.

The motion to table was lost.

MEMBER: I rise to a point of order. By laying the substitute upon the table you lay the whole question upon the table, and throw the question before the house.

PRESIDENT McADAMS: The question is now upon the substitute as offered by the gentleman from California.

Mr. Latta

J. A. LATTI, vice-president Northwestern National Bank, Minneapolis: I feel that in one point at least it is my duty to express what I know by natural knowledge as to the working of a certain kind of branch banking.

For many years I lived in Detroit. The city of Detroit has, as has been frequently mentioned here, a large number of so-called branch offices, conducted by state banks. The state banking law of the state of Michigan permits those branches. Those branches were established many years ago in many instances, where, so far as I know, the law gave no permission and on the other hand expressed no dissent. What legislation has occurred since I am not familiar with, but I know those branches exist and continue. The gentleman who last spoke raised the question as to the real merits of the situation, meaning, I believe, the service to the public. There are many within the sound of my voice who, I am sure, would second what I say in stating that in Detroit the best banking service is available to every citizen, and I have never heard one objection in any way, shape or form to branch banking as conducted in Detroit, but what have you got? You have there three national banks of this great system of ours, only three in Detroit with a million people, one of the largest industrial cities in the United States, where the interests of thousands and thousands of workingmen are in the savings which they put into the banks.

Those national banks are not permitted to serve in the same way that the state banks are. Why should they not be, particularly when we know that the service that has been conducted by the state banks has been safe, sound and satisfactory?

Gentlemen, I live in Minneapolis, where we have already established two additional offices of our own bank. There has not been the slightest objection and we believe that we are serving the interests of the public. We have not the slightest desire, we are absolutely opposed (and I think I voice the sentiment of every national banker in the city of Minneapolis and probably in the state of

Minnesota) to branch banking as extended beyond the corporate limits of the city, but we do believe that we are sound in being able to offer to our customers over on another street or some blocks away the facilities which they find they cannot readily avail themselves of if they are compelled to go to the main office. The parking question of automobiles today, while it is a little thing to bring before this convention, is a menace to the business of the downtown banks. Many of our customers are not able to get into our banks without leaving their cars at a long distance and bringing their money through the streets in danger of being held up.

I believe in sound banking and I don't believe that sound banking for one moment will ever be interfered with by permitting national banks to have additional offices in their own cities, but I do not believe in extending those facilities beyond that city.

PRESIDENT McADAMS: The time has come for closing the debate. I will recognize one more speaker on each side.

A MEMBER: I believe that the delegates thoroughly understand this question and I rise to move the previous question.

PRESIDENT McADAMS: The previous question has been moved. All in favor will signify by saying, "aye"—contrary minded, "no." The motion is carried.

The question now is upon the substitute as offered by Mr. Bonyng. All in favor of the adoption of the substitute as read will vote "aye"—opposed "no." The "no's" have it and the substitute is lost. The question is now upon the amendment as offered by Mr. Lonsdale and accepted by Mr. Jeffries to the original motion. Are you ready to vote upon the amendment?

Wm. Alden Smith

WM. ALDEN SMITH, president Grand Rapids (Mich.) Savings Bank: I live in a city of 150,000 people. Fifty thousand number the accounts in the bank of which I am president. We have twelve branches and have carried community service into every one of those twelve branches, and while most of the banks in many of the states were losing deposits in the trying period through which we have just passed, our institution augmented its deposits nearly one hundredfold. We take our service to the community, to the laborer in the vicinity of his factory, and from January first to September first our little bank at Grand Rapids opened over 8,000 new accounts among the laborers and the humbler citizens who believe in thrift, but who had to have these privileges carried to their immediate community.

I voted for the Federal Reserve Law. I represented our state in the Senate at that time. I voted for every sound principle that has suggested itself during a career of upwards of twenty-five years, but I say to you that if you believe in the thrift of which this convention has over and over again asserted itself, if you believe in the thrift of the individual citizen as the proper basis for good, constitutional safe citizenship, then I assure you you are taking a step today which may cause you some embarrassment.

Under our laws we have examinations the equal of the national examinations, and our state banking system has no peer, either in the Federal or other state fields. You know and I know that when the Federal Reserve Bank Act was passed they had to threaten the national banks to get them to become members. Their charters were to be forfeited, but the state banks with patriotic valor and sound judgment have augmented the Federal System voluntarily. You are determined to outlaw branch banking. Be very careful that you don't outlaw sound, conservative thrift banking.

PRESIDENT McADAMS: Gentlemen, the time for the vote has come. I think we all agree that while all of us would like to have something to say upon this question, that both sides have had an opportunity to fairly present their views. The vote is now upon the amendment as offered by Col. Lonsdale and accepted by Mr. Jeffries to the original motion. I will read the motion as amended:

Resolved, By the American Bankers Association, that we view with alarm the establishment of branch banking in the United States and the attempt to permit and legalize branch banking; that we hereby express our disapproval of and opposition to branch banking in any form by state or national banks in our nation.

Resolved, That we regard branch banking or the establishment of additional offices by banks, as detrimental to the best interests of the people of the United States. Branch banking is contrary to public policy, violates the basic principles of our government and concentrates the credits of the nation and the power of money in the hands of a few.

All in favor of adopting the motion as amended will vote "aye"; opposed, "no." The "ayes" have it and the motion as amended is now before you.

I would ask, of course, gentlemen, that only those who are regular delegates from their respective banks will vote, and no bank is entitled to more than one vote. All in favor of the motion as amended will vote "aye"; opposed, "no." The motion prevails.

During the next day's session, Sir Frederick Williams-Taylor president of the Canadian Bankers Association was introduced and he made reference to branch banking in Canada. His remarks appear on the following page.

Branch Banking in Canada

PRESIDENT McADAMS: We were entertained in Montreal as you know by the Canadian Bankers Association.

Our host not only appreciated the importance of our visit but the need for caring for us in a most hospitable way. He was kind, courteous and considerate and he has responded to our visit by coming here to attend our convention to show that the Canadian Bankers Association recognizes the wonderful possibility in a closer affiliation with our organization. I simply want the privilege of introducing to you the President of that Association, Sir Frederick Williams-Taylor, President of the Bank of Montreal. (Applause.)

The audience arose and applauded.

SIR FREDERICK WILLIAMS-TAYLOR: This is an unexpected pleasure. You seem quite pleased to see me here today. I can assure you you are not half so pleased to see me as I am to see you and I am delighted at your reception. I can tell you that I feel perfectly at home in this good company and it strikes me as I look around that there may be two reasons for that—another reason in addition to the obvious one. The obvious one is that we are all of the same blood and stock and the second is following the first—that there may be a good Canadian or two in the audience.

Congress in its wisdom has put 30 cents a bushel on Number One hard Manitoba wheat, but they put no embargo on Canadian manhood. You have had a goodly supply of that in this country from Jim Hill downward and I do not think the mixture of the strain has done you one single bit of harm.

I have only one very clear thought in my head, and that is to thank you, Mr. McAdams, and you gentlemen and ladies

for your kindly reception. If I were making a speech, there are one or two subjects that I might touch upon—one that was dealt with very fully by a gentleman yesterday under the title or text of "Branch Banking." A delicate subject, it seems to me!

I have not the slightest intention, nor would I have the bad taste, to tell you gentlemen and bankers whether or not

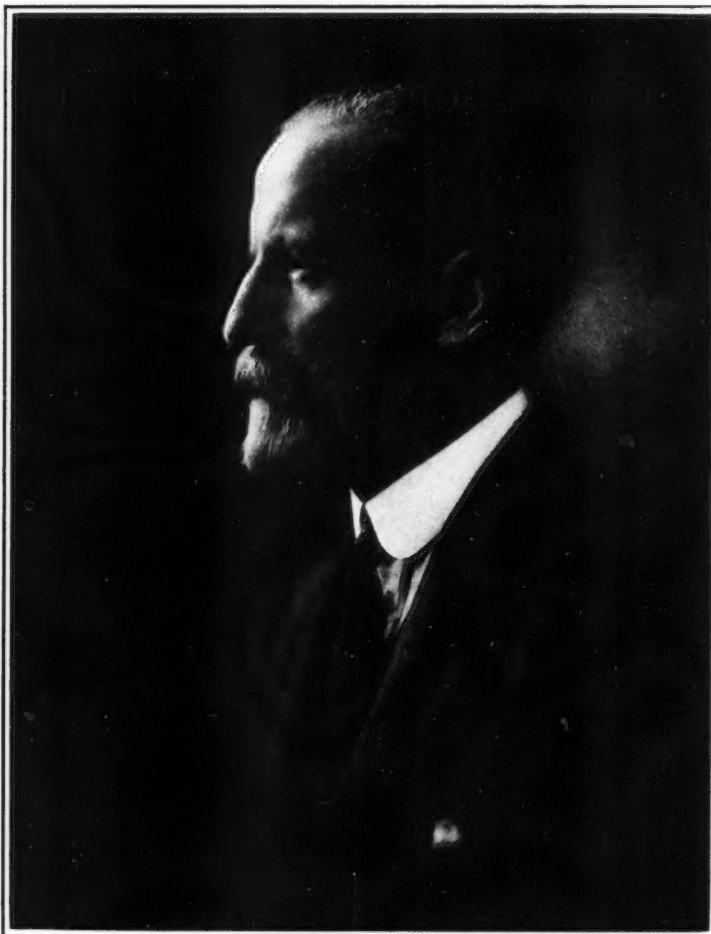
only used in diplomacy—Abracadabra. Let him look up his treasured dictionary. It is pronounced "Abracadabra"—a very excellent word! I would advise those of you who are not acquainted with it to look it up. That is my answer.

I am not going to make a speech, but take our Northwestern Provinces, Alberta, Saskatchewan and Manitoba, of which you have all doubtless heard—there

we have an area some 800 miles in width by 200 or 400 miles north and south, fit for cultivation. We have in that district a very small population, under 2,000,000, and we have there nearly 1,300 branches of powerful banks, able and eager to supply to that community any banking facilities that they may require; and I may tell you that there is no banking district in the whole wide world where the agricultural community and the business community enjoys such admirable banking facilities as in those three provinces.

It may interest you to know, as a direct bearing upon any criticism that may be leveled at our branch banking system (I am not talking about yours), that we continuously advanced to people of the Northwest of Canada, and particularly to the agricultural community, many millions in excess of the sum that they have honored us with deposit. Those deposits are accumulated in every hole and corner of Canada. In little ham-

lets and districts in Ontario, where for one reason or another the soil may be fertile but the opportunities for developing commercially and industrially are meager, there the funds are accumulated and automatically they find their way out of the Northwest to produce—I almost said the best wheat in the world.



SIR FREDERICK WILLIAMS-TAYLOR
President of the Canadian Bankers Association

you should adopt a branch banking system in this country, but I do say to the gentleman who spoke yesterday that I question his—what shall I call it?—for telling us whether we should have a branch banking system in Canada or not.

To that gentleman, if he is here present, I would apply to his criticisms of our Canadian banking system a word that is

Third Session of Main Convention

The Improvement in Industrial Conditions in Kansas Told by Gov. Henry J. Allen. Free Speech and Picketing. State at Peace When Trouble Was Widespread. Position of the Association Set Forth in Series of Resolutions. Par Clearance and Economic Policies

THE last session of the main convention was devoted to reports of the Committee of Five, the Membership Committee, the Public Relations Commission, the Economic Policy Commission; an address by Gov. Allen of Kansas on industrial conditions in his state, a brief discussion on Canadian banks by Sir Frederick Williams-Taylor, the installation of officers and the presentation of a silver service to Mr. McAdams, the retiring president.

The Committee of Five

By CHARLES DEB. CLAIBORNE
Vice-President Whitney-Central National Bank,
New Orleans

Your Committee of Five recommends the endorsement of the McFadden Bill as amended by your committee. Individually members of your committee have attended a large number of bankers' conventions. We have discussed this subject from every angle. We have studied carefully the fundamentals and principles as laid down by the Supreme Court of the United States, as well as the Federal decision in the Atlanta case and that of San Francisco. We believe that the best and wisest course, therefore, would be the endorsement of that McFadden Bill which makes the charge optional on the part of the bank.

The McFadden Bill as amended simply carries into effect Section 13 of the Act but omits the last few lines of that Section, and instead of the words "but no charge shall be made against the Federal Reserve" we have added that whenever a charge shall be made, in that event the Federal Reserve Bank shall charge back that charge to the depositing bank; but the charge is optional.

Your committee also suggests the continuation of the Committee of Five until the passage of that bill, if you so approve it.

Membership Committee

By HARRY J. HASS
Vice-President First National Bank,
Philadelphia

At the last meeting of the Executive Council, Mr. McAdams made a very strong plea for the Council to assist the Membership Committee in their efforts for this year. The convention was held the early part of October and it was the middle of October before we returned to our homes and it was the last of Novem-

ber before we could get started on a membership campaign.

We would like to have the country organized into districts or states and counties. We would like to have had a man in each state in charge of his state and a man in each county in charge of his county, so that not a single bank in the United States would be ignorant of the activities of the American Bankers Association, and he would be solicited to become a member. But the constitution provides that if a bank does not pay its dues within thirty days, that it only enjoys the privileges of the Association; and if they do not pay their dues within ninety days, they forfeit their membership and have no privileges in the Association; and should they become members after that period, after having been a member and delinquent in their dues, they must pay their dues back to the close of the last fiscal year.

At the start of the campaign we had 4,255 delinquent banks or a loss in membership, including the failed banks, merged banks and delinquent banks, of 4,255.

We are happy to report that the 18 per cent. decrease was reduced to 1 4/10 per cent. We not only had the agricultural conditions but unlike other organizations we were required to raise the dues of the Association, so considering the increase in dues, and the agricultural conditions, we felt that we had a pretty hard job to tackle. The result on August 31 showed an increase of membership of 3,401; the total dues received for these members being \$76,870, at a cost of seventy-two cents per member of 3 2/10 per cent. of the dues received.

PRESIDENT MCADAMS: Never have I seen a committee work more hopefully or more actively than has the Committee on Membership last year, and I voice the action taken by the Executive Council on Monday evening, in extending them a unanimous vote of thanks for their work during the past year.

Public Relations Commission

By FRANCIS H. SISSON
Vice-President Guaranty Trust Co., New York

The Public Relations Commission is a commission of service and not of creative effort, and therefore I can very simply and briefly present a record of the year's work. Our business is not creative in itself but to transmit to the public the creative work of others, and through that activity we have the use of two mediums—our own JOURNAL and the daily news-

papers to which we give out news releases from time to time.

For your information in regard to the work of the JOURNAL of the year I would briefly report that we received from subscriptions during the year \$44,428 and from advertising \$40,298.00, making total receipts, including some miscellaneous receipts, of \$95,291. Of that sum we returned to the Association \$22,959.

This, you bankers might quickly reckon, would be equivalent to a 6 per cent. earning power on something like \$350,000. If we were to capitalize that earning power, which as business men we may perhaps be entitled to do, it would show an increase in the earning power of the JOURNAL during the past year, on a capitalization of about \$250,000, or an increased value, if you please to put it that way, for the JOURNAL of a quarter of a million dollars through the program of improvement and expansion that we have undertaken.

We believe that we have taken but a step forward in the improvement of the JOURNAL and in its devotion to your service. We have tried to be economical and careful in all the work of improvement that we have undertaken, but, thanks to the liberal attitude of the officers of the Association and the Executive Council, we hope during the year following to improve still further both the content and the appearance and the powers of service of that already useful paper. The typographical appearance we have improved, but we hope to add to it more by illustrating it more and by making it more graphic and more attractive.

Already the newspapers and magazines of the country have taken cognizance of the improvement that has been made in our JOURNAL and it is being very broadly quoted and somewhat more liberally subscribed for than even before. A considerable number of our banks have found it worth while to subscribe for extra copies, to send not only to members of their staff but to their important clients who are interested in keeping up to date with banking and business affairs as we have presented them through our pages.

We believe that the bankers of today are realizing more and more that in order to do well, they must know more; they must keep abreast of banking thought and keep abreast of business thought, if they are to realize the full possibilities of their own institutional powers of service. So we have dedicated the pages of our JOURNAL to that end and hope that it is rendering a service which you will value.

We have also, by reason of that enlarged service, made it more attractive to advertisers, and a constantly increasing volume of business is coming to its pages, without interfering or competing with other banking journals or other

mediums which are occupying something of the same field.

It is our purpose to make the JOURNAL a clearing house not only of Association activities, but of banking and business thought, an interpreter of business conditions through those who think intelligently and clearly on those subjects and are able to transmit that thought for the benefit of others.

So, to that end we will use a larger proportion of the appropriation that has been allotted, (if the plans that have already been formulated are carried out) to securing articles from representative interpreters of thought and from those who are qualified to present business problems in a serviceable and useful way for you.

If we could only inspire the banking community with the intellectual ambitions to know more accurately, to have facts instead of guesses at their disposal, to be able to review the business world clearly and sanely and accurately, as a part of the service we are rendering, we would feel that our efforts had been more than worth while, for perhaps never before in the history of the world, or our own immediate world, has the premium upon clear thinking been so great or has it been so necessary that we should know.

So we hope to be able to dedicate the JOURNAL to that ideal more and more effectively and to make it more and more a serviceable agent to improve banking, to better business, to greater prosperity, and I hope to better citizenship.

Publicity

Another branch of the work of the Public Relations Commission is that devoted to publicity. Through our committee's work and the small organization which we have, we release to the public from time to time, the findings of our three great Commissions on Agriculture and Commerce and Economic Policy, and also the important Association activities as they may occur from time to time.

We have been able to give to the public, through the daily press, accurate reports of Association proceedings, interpretations of Association Commission findings, and illuminating economic facts from time to time, which have received a very cordial reception on the part of the daily newspapers.

If we were to reckon in terms of dollars the return we have received from these news releases and their broad acceptance we would show a substantial sum.

However, I hope the day will come when we do not reckon the returns in such a way entirely, because in time this work must have far-reaching value to the banking business and to all American business.

So we are striving to expand from time to time the activities of that branch of our service to the ends that the journalistic and periodical world may look to us as an authoritative expression of banking and business thought from whom they can at any time secure valuable material, informative and useful articles and real interpretation of economic conditions.

The Executive Council have granted us

a somewhat larger appropriation for that work during the next year and I hope that a constantly expanding usefulness may attend that service whoever may have it in charge, and that we may realize that we have a great opportunity there to help guide the thought, to help improve the status of the Association and to help the business community with informative and useful facts for their immediate use.

We will be delighted at any time to have suggestions from any of our members, either as to the improvement of the JOURNAL or as to news matter which we can give to local papers throughout the country which they might use profitably.

We are rather feeling our way in this work and we know that if the Association members as individuals or in state associations will take cognizance of the splendid opportunity which this medium affords them and the machinery which we have already set up, that we can move on to a constantly expanding usefulness and a greater, greater service.

Economic Policy Commission

By M. A. TRAYLOR, Chairman

The Commission makes note of the fact that it has not changed its opinion in regard to the Soldiers' Bonus Bill. It believes firmly that the national government should do everything possible to relieve the soldiers who are suffering from disabilities incurred in the service, but it does not approve the giving of a bonus to all the soldiers regardless of their present condition.

By the appointment of the President of the Association, the chairman and secretary of the Commission were made members of a special committee which has been actively cooperating with the president of the American Farm Bureau Federation and the executive officers of other similar organizations interested in legislation affecting facilities for agricultural credit. The commission congratulates the country upon the breadth of vision and the soundness of judgment which has characterized the attitude of the majority of the leaders in agricultural activity with respect to the fundamental problems confronting that industry. The commission believes that the steady improvement in agricultural conditions is a reflection of increased demands for the farmer's products resulting from the re-employment of labor in the United States, thereby proving the correctness of the position of those who have contended that the demoralization in prices of farm products was due not so much to a lack of credit as to a lack of markets. Assuming that this contention is measurably correct, the commission would oppose the hasty enactment of any ill advised credit scheme, which, while possibly resulting in a temporary, artificial stimulation of agricultural prices, would in the end react seriously on the entire industry.

The commission again reiterates the stand which it has made public on several occasions in regard to tax-exempt securities. It advocates a constitutional amendment permitting the taxation of

securities issued by the Federal government, the states, municipalities, other political sub-divisions, or quasi-public corporations. It is opposed to the feature in the present income tax law which exempts from taxation \$300 income annually for monies deposited in building and loan associations. This clause in the present law works a great hardship on all banks and makes it impossible for them to compete on an even basis with these associations which do not offer to their depositors the safe-guards and securities which banks are compelled to furnish.

Transportation

The commission welcomes the end of the present strike of the shopmen on the railroads, but recognizes that a further adjustment between the cost of railroad transportation and other expenses of production is necessary. It still believes that the present high wages of railroad employees must be readjusted and that such readjustment with accompanying reduction of rates will pave the way toward greater business activity. The processes of our economic life cannot proceed in an orderly fashion when wages of labor and prices of commodities are seriously out of adjustment, and the interest of labor in a proper adjustment should be just as keen as that of the producer and manufacturer.

The commission desires to express its belief in the value, for the best development of trade and commerce, both domestic and foreign, of a comprehensive transportation system in which should be included not only the railroads but also the canals and highways, particularly the plan for a barke canal connecting the Great Lakes, the Ohio and the Mississippi, and a canal connecting the Great Lakes and the St. Lawrence.

The commission advocates the development and maintenance of a merchant marine, and recommends the modification of those sections of our shipping laws which make it impossible for American ship owners to compete on an equal basis with other countries. It believes that an American merchant marine is not only vital to the commerce and industry of the country, but is also a necessary adjunct to our naval forces in time of war.

Industrial Conditions

The commission believes that with the passing of industrial unrest the country is in a fair way to resume normal business activities but at the same time regards with the greatest apprehension the continual recurrence of strikes in fundamental industries and believes that plans should be carefully considered for a permanent method of settlement of questions which arise between employers and employees. In the case of those industries, like transportation and coal mining, upon which the very life of the nation depends, it ought to be possible to devise means to adjust disputes without recourse to industrial warfare. A sharp distinction should be made between the right of workers to leave their employment whenever they desire to do so and their attempts to hinder others from working and taking

the positions which they have left. The fact is that working men going on a strike do not regard themselves as having left the service of their employers, because otherwise there would not in the case of every strike appear the demand for reinstatement without loss of any of the privileges or rights acquired as the result of continued service with the corporation in question.

Tariff and Foreign Trade

The commission calls attention to our international trade relations which are suffering from various causes. The delay in the rehabilitation of Europe has made it impossible for our farmers to dispose of their products at prices which will give them adequate return for their labor. The United States, however, has done little to relieve this situation. The commission feels very strongly that our position as a creditor nation will make it increasingly necessary for us to accept payment from foreign countries to a large extent in the shape of goods, and that only in this manner will it be possible for us to maintain and develop our export trade which is so necessary if labor and capital in this country are to be fully employed. The commission fears that Congress, in its desire to protect the country from the danger of so-called "dumping" may create a situation which ultimately will be contrary to our best interests.

Federal Reserve System and Currency

The commission again calls the attention of bankers throughout the country to the danger of the continued attacks made from various quarters upon the Federal Reserve Board and the whole Federal Reserve System. The commission believes that if bankers have confidence in the system, they should say so, for the principle of keeping the system free from politics is of vast importance. Closely related to the attacks upon the Federal Reserve System are the attacks upon our present currency system. Unless we wish to travel the road of Russia and the Central Empires, it behooves those most directly in charge of the financial interests of the country to repel the attacks and refute the arguments, no matter what the source may be, which would substitute for the present gold standard untried and chimerical schemes. It is highly desirable that the people generally should understand the fallacies involved in many of the plans that have been suggested within the last few years.

Conclusion

The commission calls attention to articles prepared under its general direction by its economist, and published in various numbers of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION. These articles have been copied by numerous newspapers and magazines; especially the investigation in regard to our international balances has been of importance.

The commission likewise, continuing the work of John S. Drum of last year, published an investigation of the economic situation in the country, which

was prepared by its secretary. The commission believes that, while it may be questionable whether this work should be continued in so elaborate a form as that in which it has been carried on, nevertheless scientific investigation conducted under the direction of a responsible body of the American Bankers Association makes the pronouncements based upon such research more valuable and authoritative than if they were merely hap-hazard expressions of opinion.

Committee on Public Education

BY JOHN H. PUELICHER

President Marshall & Ilsley Bank, Milwaukee

The life and prosperity of a state depend upon the equitable distribution of its opportunities among its people. So long as fair rewards are assured to him who labors, so long will there be progress, for under such conditions most men find life's happiness in life's work.

This will insure the growth of that sound, sane, conservative middle group, the intermediary body between the extremes of wealth and poverty. These two extremes, existing alone, are too far apart to insure the safety of either, and the consequent safety of the state.

Therefore, the large middle group must continue to be strongly supported and constantly expanded, or a nation loses its support of safety and its power as a democracy.

Upon the mental, spiritual, as well as upon the material growth of this group, depends largely the mental, spiritual and material strength of the nation.

There is no substitute for character. There is no substitute for integrity. There is no substitute for work. Nor is there a substitute for thrift. There is no substitute for knowledge. There is no substitute for religion. These a nation cannot legislate into its citizenship; each individual must gain them for himself.

Greater Rewards; More Freedom

America's opportunities are bringing greater rewards and more freedom to her workers. Unless there is knowledge for the proper use of these rewards, there will be continued dissatisfaction—dissatisfaction growing, not out of the lack of the means of living, but out of the lack of the meaning of life.

The greater the percentage of owners in any land the more permanent and contented its citizenship. "He who forgets this elemental fact, builds his theories upon the sand." The moderate home, the successful farm, and all they mean to the happiness of family life and to the integrity of national life, must continue common possessions. Pride of ownership fosters conservatism in public ideas, urges participation in public affairs.

In this industrial age, man early reaches his economic majority. He must in youth have the knowledge of those laws which help him to live.

Therefore, our program has been directed first to the schoolroom—the students of the 7th and 8th grades of the grammar schools, the high schools and the colleges. This does not preclude the banker from bringing his message wherever possible to the grownups.

The results of last year's work are self-evident. Those communities are most enthusiastic which were most zealous in its support. It is with fullest assurance of the need, that we proceed into a new year. The many things learned in our year's experience, we have attempted to embody in our material and plans for this year.

Some of us knew, and some of us have learned, that the banker is not a teacher. He is not versed in pedagogical principles. But he is a leader. He knows how theory can be applied. The greatest achievements in this work have come, and will come, through the serious and earnest cooperation of the teacher and the banker.

Many bankers, with a fund of knowledge, willing to give of their time and service, felt they could not attractively tell the story to the young student. You will now find nine talks prepared for these bankers, and for the bankers who prefer, outlines upon which to build their own talks, pertinent to conditions in their communities.

Aid for Teachers

Then, so that the teacher may not be uninformed as to the plan and the work, an outline upon the entire course, together with an explanation of the plan and a list of reference books, has been printed in pamphlet form, which any teacher, in whose classes the talks are given, may have upon request.

Many educators welcome the banker's help in augmenting their work, because they realize that upon the knowledge of fundamental business economics, rests much of the happiness, the prosperity, the stability of this democracy.

Whatever the ills of America, education is the means of accelerating evolution, of abolishing revolution.

PRESIDENT McADAMS: Mr. Puelicher has not only submitted a report for his committee but has announced his platform for the incoming administration.

A rising vote of thanks was tendered to President Harding and Secretary Mellon for their messages.

PRESIDENT McADAMS: If there be one thing in public life which the American public appreciates more than anything else, it is real manhood; that character of manhood which enables one to plan wisely and still have the nerve, regardless of what effect it might have upon his personal political future, to attempt to carry through such policies as he may deem for the best interests of the state or the nation. That was the quality that endeared Theodore Roosevelt to the American people. It is the same quality which has made Henry J. Allen of Kansas the outstanding executive who has appeared on our horizon during the past ten or fifteen years. I present Governor Allen of Kansas.

Responsibility of Government for Industrial Peace

By HON. HENRY J. ALLEN
Governor of Kansas

I THINK we are standing today in reference to the industrial panic about where we stood fourteen or fifteen years ago in reference to the bankers occasional panic. Today every man who thinks upon the situation of the industrial problem, knows there should be a remedy and many know what the remedy ought to be, just as fifteen years ago we thought we knew the remedy for the banking ills that came out of the bad system of banking we then possessed.

I believe it is just as possible for the government to lead us into paths of stability and justice and righteousness in reference to the industrial problem, as it proved easy for the government to thus lead us in reference to the banking problem.

It is unexpected that every time a new contract is to be made between the men who mine coal and the men who operate mines, between the men who work in shops and the men who are on the railroads, that that contract should be the basis of a vicious and costly civil war upon the helpless public.

If we are going to get anywhere in this country in reference to the solution of this problem, then most assuredly we will have to reach the remedy through governmental power and through the pledge of a righteous and spoken tribunal.

In my state we have reached a point where we now realize that it is not right for the helpless public to bear the ills that come from that damnable thing they call "economic pressure" and when we adopted a law providing an impartial tribunal before which causes might be brought in the essential industries of food, fuel, clothing and transportation, we did not know how the matter was going to work. It came out of the coal strike of two and one half years ago, in the winter time, that our people, like most people who had coal within their

borders, were not very prudent in getting it into the bins, so within two weeks from the hour the strike came, we were out of coal in the schoolhouses; we were threatened in the homes, industries were slowing down and there was threat of suffering in hospitals.

I went to the Supreme Court of my state and asked if they wouldn't turn

these mines?" I am not a lawyer, and I said, "Well, Judge, whatever allegation you think would work."

Men have been kind enough to give me credit for courage in reference to the coal mining operations of the state. I want to tell you that the first credit for courage belongs to the Supreme Court of my state which did not hesitate to do a needful thing merely because it had not been done before.

Then when they had turned over the mines I became the greatest coal operator in the world without any miners at work. We issued a call for volunteers, and within twenty-four hours more than twelve thousand citizens of the state sent me word that they were coming to mine coal.

They were not interested in the labor problem, they were interested as patriots in the growing danger that attends a famine in fuel, and we took from this great offering many hundreds of young men who had been in the service of their country. Alexander Howe, as the president of the District, said that not a pound of coal had ever been produced in this district since its organization except by union labor and not a pound would ever be produced except by union labor, and remembering what I had seen these wonderful chaps do in France I knew that this mine leader was in for a surprise.

I will never forget the morning they landed. All the miners were down to give them welcome. They were going to

give them the sort of welcome that strikers give to those who interfere in the proceedings. They were going to call them scabs and whatnot and then these lads got off their special train, a lot of keen-eyed, kindly faced, self-controlled young chaps. They were so obviously what they were! They were not scabs but citizens come to offer themselves for the defense of the public; but even the



HON. HENRY J. ALLEN, GOVERNOR OF KANSAS

miners realized how incongruous it would be to call them any of the things they came to call them so they received them in silence and these boys began to march up the streets of the city to the point from which they were to go to the mines.

Opening the Mines

I saw a striker come up to a lad in whom I had a personal interest and I heard him say, "Well, boy, you ain't going to the mines this morning."

"Yes, going to mine coal tomorrow."

"Well, you can't turn a wheel out there; the pits are full of water. The thermometer is below zero, the machinery has been down for two weeks. We couldn't mine coal out there ourselves under the circumstances."

This lad never looked at him but as he trudged along he answered him out of the corners of his mouth, saying, "Did you ever see any trenches in France?"

That night while we were throwing out the guard lines, we began to pump water out of the pits. We sent along the regiment of the National Guard which we didn't need since we had it.

The next day, against obstacles that seemed insuperable, they produced at one of the mines a carload of coal. I have never heard so much cackling over one egg in all my life. They called me up all that night at the hotel where I was staying to ascertain whether I had learned that they had mined a car of coal. The next day it was ten cars; the next day it was thirty cars and in ten days these great chaps produced enough coal to relieve the emergency in more than two hundred Kansas communities and our danger of freezing was over. They did for us another thing, in its fundamental value more worthwhile even than the fuel we needed so badly at that hour, in that they taught us to realize this great truth: That the state has the right to protect the public against anybody.

This law has been upon the statute books of my state two and one half years. A certain type of employer and a certain type of labor leader unite in declaring that it does not work, but in two and one half years the court has found adjudication for thousands and thousands of men who labor in railways, in electric light plants, in packing houses, in mines, in mills—45 decisions, and of those 45 decisions, 43 have been accepted without contest as being entirely satisfactory by both parties to the controversy.

A man said to me the other day, "Well, I liked your court when it was established, but I am not so sure I am for it any more." I said, "In the meantime what has happened to you?"

He said, "You know I am in the Wolf Packing Company."

I said, "Oh, yes, we have made some decisions for you."

The last one I remember related to the working of women in one of the bureaus of that great industry. We discovered that in one of the bureaus men and women were working during the same

hours, at the same task, with the same degree of efficiency and the men were drawing one wage and the women were drawing a smaller wage. The court having gone thoroughly into the situation issued the order that thereafter in my state when men and women work at the same task, with the same efficiency, they shall draw the same wage.

I said, "What is the matter with that decision?"

He said, "Nothing is the matter with the decision."

I said, "Then what is your plaint?"

I wish you could have heard him distend himself. He said, "I resent the right of the government to tell me how I shall run my business."

Emergency Court

That is the keynote of objection. I am glad to say that the Kansas Court of Industrial Relations does not exist for the purpose of telling a man how he shall run his business; it is an emergency measure; it relates only to the essential industries of food, fuel, clothing and transportation, and it provides that when a quarrel in one of those industries has reached the point where it threatens the welfare of the public, then that court shall take over the controversy and make awards and in the meantime the industry shall continue to operate in order that the public may have at all times free access to transportation and to food and to fuel and to clothing.

It is not a regulatory court, it is an emergency court—and then we have gone rather far along the process of regulation by government for anybody to be too nervous about it now. We are all regulated from the moment we are born to the hour of the funeral. You men who live under constant regulation and have come to like it realize that there are some instances in which the government may tell you what to do.

The government has gone so far, every married man in this audience is regulated. I mean in addition to that you are thinking about. The government has told him how he shall treat his wife. The most sacred relationship in the world is the relationship of the parents and the child, and the government has come to every parent and has said, "You shall raise that child according to a prescription of the state; you shall keep it living in wholesome surroundings; you shall buy books and build the schoolhouses and employ the teachers." and in my state, thank God, it says that no matter how much you may think you need the labor of your child you shall keep it in school until it is sixteen years of age.

Ah, my friends, if government may find justice for all of this, if it may find justice with which to prescribe the sacred relations of the family, of the parent and the child, if it may find justice for a man in relation to his property, and his liberty, and his life, if government may do all of this with justice, don't you think that government might also find justice for the laboring man in his quarrel with his employer in these essential industries?

The Object of Government

Men are always telling us what government is for, that it exists for equality, that it exists for personal liberty, and in these Volstead days we hear much about the fact that it exists for personal freedom, that it exists to make the world safe for democracy, but the finest definition of government I have ever heard is that of President Adams who said, "The chief aim of government is justice." That is the chief aim in every relationship of life, and, God help us, as a free people, at any time when any considerable number of folk may rise to question the capacity of government to be just, because to those who question, for them government no longer exists. It was Edmund Burke, proponent of our Anglo-Saxon foundation, standing in the British Parliament who said, "All the powers of the Empire including the powers of the King and of the Parliament, and of the army and of the navy exist for the sole purpose of placing twelve honest men in a jury box."

That is the foundation upon which we have builded in this country, that is the foundation of the Kansas law, and God help us at any time when that foundation may be questioned as to its efficiency, to find justice for all men in relation to all quarrels.

You might be interested in one or two of these types of cases that have been tried out. Our first case, I remember, was a railroad case. The Joplin Pittsburg and Galena Railway Company had had a strike a year for five years. The last one, in 1918, continued for 90 days and cost these poor chaps who struck millions, and the public millions, and at the end of 90 days the men went back to work at the old wage, under the old working conditions—they had not gained a dollar.

Then when the industrial court was set up for business the car men came asking for a new award, pleading for a living wage and the industrial court took a survey of the costs of living and gave a wage award; and the president of the court, in handing down the decision, called attention to the fact that the legislature had not given to the court the power to fix a thing called "a living wage." The law says that every such man shall be entitled to a fair and just wage. What is the difference? A living wage is a wage sufficient to meet a cost of living; a fair and just wage is a living wage plus enough to enable a man to give to himself and to his family some of the benefits of modern life, plus enough to enable him through reasonable frugality to build a safeguard against age and sickness.

That was the interpretation of the court—they gave it. The men accepted it, the company accepted it, and peace came where ravaging strikes had prevailed.

Then in a year the railway company came back to the court and said, "The wage you adjusted a year ago is out of tune, costs of living have gone down, and if we are to meet the expectation for lower transportation rates then we must have lower wages."

Cost of Living Survey

Again the court made a survey of the costs of living. In all cases where there was any room for doubt, they gave the benefit of the doubt to the laboring man, as they should have done, and then finally they handed down their award, and it was a reduction of wages, and the men accepted it as a fair and just decision and the company accepted it.

I have a letter with me from the general manager of that company who says, "We are now doing business in the Joplin, Pittsburg and Galena Traction Company under the second contract adjudicated by the industrial court and it is the first time in our experience when we look forward with assurance to peace and contentment," and both the men and the company have accepted the court as being the way to find just solution of affairs. Do you mean to tell me that a court that is getting that sort of results is not working?

I have a letter from the General Manager of the Illinois Traction Company which operates three or four railways in our state, several light and power companies, and in this letter the General Manager calls my attention to the fact that his company has had nine adjudications by the industrial court and that every man employed by them in a mechanical capacity has had his wages fixed by the court in emergency matters when the strike had threatened and said, "Not a single complaint exists today on the part of the men and certainly not on the part of the company of the functioning of the industrial court."

Of course we have had trouble. When the court was first set up for business we had to fight it out with Alexander Howat, who is the President of the Miners' District in that state, District Number Fourteen. We do not have any more trouble with Mr. Howat. When on the first of April the strike came in the coal fields, everybody went out. The Court called the operators together and said, "There is no need of coal just now. Every bin is full. Every coal car is full but as soon as there is a depletion in the supply, which menaces the public, then you will have to operate these mines or the state will have to operate them."

In thirty days, it was necessary for some of the operators to open their mines to make up the reserve of coal. When they opened their mines, men went back to work. On the day at Herrin, Ill., there were murdered twenty-two men who were mining coal in strip mines, on that day in Kansas 375 deep shaft mines were operating without even an additional police force. Why? Because Alexander Howat and twelve of his district officers were in jail for violating the Kansas law.

In the recent railway strike, the General Managers of the Sante Fe and Rock Island have written saying that in Kansas they have been allowed to carry on their industries at practically one hundred per cent. because of the law in Kansas which guarantees to every man who wants to work the right to work without molestation.

It is sometimes charged that we have taken away from men their God-given right to quit work. That is one of the

silly statements that Samuel Gompers makes at times. And friends, if we had sought to do this, then our law would have no business upon the statute book of any modern state. We have not taken away from any man his right to quit. We have expressly provided in the contention of the act that nothing within the law shall be interpreted to deprive any man of his natural right to choose his own employment, and to cease it at his will. I said to this man and to this group of men, "You may quit work whenever you may wish and go off about whatever entertains you elsewhere, but after you have quit that isn't your job any more and you shall not come back. You shall not come back here tomorrow with your pockets full of dynamite to keep these men who want to linger on the job from working." The law holds that the right to work is just as sacred as the right to live and that it is the duty of the government to protect both men in their natural inclinations.

"Send Me to Kansas"

The statement from the General Manager of the Sante Fe, one of the greatest systems of the Middle West, where they have centered in Kansas great repair shops, says that their repair shops in Topeka employing several thousand men are 115 per cent. normal. You gentlemen know that is plus. How does he get it? The personnel is all employed and the personnel that is now doing business in their shops is 115 per cent. more effective than the old personnel was. How does it happen? Every railroad company has reported this: That in the employment bureaus that have made up the personnel for employment in the place of the shopmen who went out, one of their difficulties has been that all of the men who come seeking employment want to be sent to Kansas. Why? Because the state has pledged its own order that every man who wants to work in Kansas shall have that right under the protection of government.

Of course, we have had trouble about that, too. We have had a lot of discussion about whether it was proper to guarantee that a man should have the right to work. They have even called into question our attitude toward free speech. Oh, I hope no one will ever think that in Kansas there is any danger to free speech. We are still the freest lot of talkers in the world. I imagine that nothing in Kansas would ever affect the God-given right of free speech in any degree unless possibly it might be a general epidemic of lockjaw.

It is not free speech that is in danger in this country, my friends. It is the free right of a man to work. That is what is in danger. It is just as sacred as the right of free speech.

The cunning manner in which these American strikers contrive to evade the law proves their superiority over any other striker in the world in that respect.

I have said a number of times that I would rather deal with the red radical of foreign birth in a strike than the American striker, because the red radical hates government and fears it, but the

American striker neither respects government nor fears it.

Ah, friends, of course we need laws to control the red radical of foreign birth, but in addition to that we need equally a new baptism of respect for law upon the part of these 100 per cent. American citizens!

Picketing Schemes

We found another clever way in which they were violating the law. The strike leaders were getting together all the merchants who dealt in commissary supplies, who ran hotels, who ran restaurants, and making them pledge themselves that they would not sell anything to a man who worked in a shop. What was that? Why that was picketing. And so the Attorney General said, "Now, if you men want to sell, you have got to sell everybody; you cannot picket in this fashion"—and he broke that up.

What happened then? Why, the strike leaders got out a window card which expressed 100 per cent. sympathy with the strikers. If there is a larger per cent of sympathy than 100 per cent., I have that for these poor strikers, these chaps who were forced to leave their jobs, and today they are out of work with ruin staring them in the face. Oh, how I sympathize with them! I sympathize with the men who are laboring under the obsession that there is no other way to obtain justice except by civil war.

But this card was not fundamentally for the purpose of expressing sympathy; it was for the purpose of hanging in the windows of those stores and hotels and restaurants that had refused formally to sell goods. It was getting at the point in another way, it was picketing in a different fashion, and so the Attorney-General says that is against the law. What one man may do for a purpose many men in concert may not do. It is a violation of the law because it is a conspiracy to build an atmosphere of intimidation against the men who are at work.

So the Attorney-General ordered the cards down. As the cards came down around in the shop centers, my friend Will White blew up in Emporia. And I have no criticism for him. He is a wonderful chap, a great solid man, but he became confused as to what free speech is. As I said before, it is in no danger in Kansas—there are a lot of things that you cannot do under freedom.

My friend White, if he had the taste, could light a cigar and go anywhere he wished in Emporia with it, except into a powder factory. I would not let him do that; I would curtail his liberty that much. And it was not free speech that was in danger; it was the right of a man to work without intimidation that was threatened.

Packing Strike

Take our friends in the packing strike. Those of you who live in the Middle West are familiar with the fact that Kansas is the second packing center in the United States. More than ten thousand men

work in the packing plants, and yet when the packers' strike came, though there were riots and killings and destruction of property in Chicago, in Omaha, in St. Paul, in St. Joseph, in Sioux City, in Oklahoma City; in Kansas the packing plants functioned with no disorder and we did not need to call out an extra police force.

Why? Because the law was there saying to every man, "You do not have to work in this packing plant if you do not want to; you can leave if you wish, or the court will adjudicate a wage for you to work under. But if you leave this packing plant you shall not come back to molest those who remain. The state has guaranteed that they shall work." And they have worked.

During the Coal Strike

In the mines of the state, during the three months when the strike gripped everybody else with loss of coal, Kansas produced 900,000 tons of coal, more than enough for her domestic and industrial purposes.

And, astonishing as it may seem, we have produced 50 per cent. of the normal output with 25 per cent. of the personnel, showing how tremendously the industry has been overmanned.

I wish we might have in the control of the industrial situation, which is today the greatest panic breeder in the world, the wisdom of government that has led the banking profession into stabilization.

I am proud of the fact that the President of the United States recently, in delivering his brave message to Congress, declared that the Federal Railway Labor Board should have the power to enforce its own decisions (applause); and I am only sorry that after pointing out so courageously and so unerringly the need of this legislation he should have said that he warned Congress against doing anything hasty.

Any statesman who thinks it is necessary to urge this Congress not to hurry has no idea of speed.

Ah, my friends, we find in this great land that the best acts of legislation come out of the aroused demand of the public. You had not guaranteed the creation in this land of the Federal Reserve System until the explosion of 1907 and the aroused public said, "We want something better than what we have had!"

Government goes forward out of the same power that sends forward the automobile engine—the power of its explosions, and it is the duty of Congress to make of the explosions a righteous public indignation direction, and it is the duty of the courts to establish the speed limits.

I believe that out of the pressure of the tragedy of the last year in the essential

industries of transportation and fuel, there is going to come a demand that we write into the fundamental law of the land the sacred pledge that the government shall protect the public.

That is the basis of our law, founded upon the oldest human principle that exists in organized society, a principle that was engraved as one of the twelve laws upon the tablets of Rome: Let the safety of the public be the supreme law.

You may write around that all the sermons you wish, upon the right of the man to take a stick of dynamite and start his own war, but whenever the welfare of the public is menaced the public will come back to this broad police power of the government for its protection.

The Federal Reserve

Fifteen years ago we did not know how we could regulate the banking profession so as to stabilize it, and when Senator Aldrich and his confrères began the study of a Federal Reserve System, we still questioned the propriety of government to take over an institution like banking in any sense, and there was the old voice pleading with us against centralization, and then came the wonderful accomplishment of the Sixty-third Congress, giving to us the fundamental principles that underly this growing Federal Reserve System.

It is not surprising that there should be in this law, in its administration, some things that cause discontent, but I am gratified as a citizen who knows very little about banking, to stand here this morning and express this great gratification, that in the Federal Reserve System there is a source of confidence which all men feel, and the complaints against it are the details of administration. They do not touch the underlying principles.

Out in my state, we complain about the Federal Reserve System in very much the same spirit that men complain about the weather. We have not anything better to offer. And when Kansas cannot offer a new remedy that means that the present remedy is all right.

We expect fair weather and foul weather, but we have learned that under this system the prudent man will have ample shelter.

I think one of the most frequently misunderstood features of the law is in relation to the fact that these banks are really individual banks, functioning in their separate districts according to the localization of the condition.

Agricultural Credit

We had a charge made not long ago that the Federal Reserve Bank had contracted credit, and the professional friends of the farmer (God bless them, how

comforting they are to him!) were out preaching against the Federal Reserve System for having contracted credit. I have just taken the trouble to gather some figures and I find that in the Kansas City District we have not contracted agricultural credit; that from January 31, 1920, to July 1, 1921, Kansas City had increased its agriculture and live stock paper from \$22,000,000 to \$30,000,000. Minneapolis had increased in that period from \$9,500,000 to \$40,000,000; Dallas, from \$4,500,000 to \$36,000,000; St. Louis, from \$300,000 to \$10,500,000; Richmond, from \$400,000 to \$11,000,000; Atlanta, from \$700,000 to \$15,000,000. All of the banks of the System have in that period increased their agricultural credits from \$57,000,000 to \$234,000,000.

So when we know the figures we realize that despite the complaint, despite the fact that the farmer does need money the Federal Reserve System has not been guilty of contracting his credits. I am glad to stand as a citizen of the Middle West to pay tribute to the enduring thing we have built in this great country, through the establishment of this system; in some fashion guaranteed by government, confidence will always remain; that the currency shall be flexible and that the reserve shall be real, and it is because of this great system that we have gone through the rigors of the war and even the greater test of the reconstruction period that has followed the war.

The delegates arose and applauded.

The remarks of Sir Frederick Williams-Taylor of Montreal, are printed at the end of the second session of the main convention in connection with the branch banking forum.

Unable to Appear

PRESIDENT McADAMS: I have a very distressing announcement to make. Mr. Hoover came to New York to speak before this convention. He was taken ill last night, however, shortly after arrival and is now in bed, absolutely unable to appear before the convention. He requests me to express his sincere disappointment at his inability to keep his engagement and asks that you understand that his visit here was not simply that he might accept our invitation, but that he might come as a personal representative and at the request of the President of the United States.

The Committee on Resolutions reported and the Convention adopted the resolutions printed on the following page.

Resolutions of the American Bankers Association

THE Forty-Eighth Annual Convention of the American Bankers Association, composed of upwards of 11,000 delegates and guests, representing every part of the United States and every legitimate type of financial institution of the United States, met in the city of New York from October 2 to 6, 1922, to study the various problems confronting the nation, especially those affecting the financial interests of the country. As a brief statement of the conclusions reached from consideration of the addresses and discussions at the various sessions, we submit these resolutions and commend the opinions and recommendations herein expressed to the thoughtful attention of the government and the people of the country.

Legislation

WE continue to urge upon our government the elimination of all unnecessary expenditures in order that taxes weighing heavily upon business may be still further reduced.

We disapprove of the continued attempts to establish further government commissions which tend more and more to hamper the industrial and commercial development of the country and in an unnecessary way increase the cost of doing business. For like reasons, we recommend the discontinuance of such existing commissions as experience may prove unnecessary.

We reiterate our position in regard to tax-exempt securities of any type, believing that it is highly undesirable that further tax-exemption should be authorized by the Federal government or any of the political sub-divisions of the country.

The Foreign Situation

WE call attention again to the seriousness of the foreign situation, especially of Europe, which is affecting detrimentally our own conditions and preventing even those industries in our country which are not dependent upon foreign trade from recovering fully from the depression which otherwise would be rapidly disappearing.

There is no possibility of a healthy and normal situation in this country until the nations with whom we trade are able to pay us for what they import. As this can be done in the main only by means of exports to us, we trust that the President will not hesitate to make use of the power granted him by the new tariff law to make such adjustments from time to time in the schedules as may be necessary for a restoration of our international commerce.

We believe that the time has come for the government of our country to formulate the principles on which it will be able to cooperate with other nations to bring about the needed rehabilitation of European countries and peace in the world.

To this end we urge the Administration to consider the advisability of promptly

making its representative upon the Reparation Commission, an official of that body; we also recommend to Congress that there be granted to the Debt Funding Commission such further powers as will enable it to negotiate more effectively with the foreign nations now debtors of the United States.

Labor

WE are glad to note an end of the recent strikes in fundamental industries, and we hope that the period of peace in industrial life will be used for the purpose of careful investigations to serve as a basis for a permanent method of adjustment of the questions arising between employer and worker.

It is our belief that in those industries whose continued operation is essential to the wellbeing of the whole people organized strikes should be regarded as against the welfare of the state. We make a sharp distinction between the right of the worker to leave his employment and the attempts made by intimidation to compel those employees to leave their posts, who otherwise would be willing to work.

Transportation

WE again urge upon the government and the people to support in every way possible any measures which tend to improve our transportation systems, either on land or on sea. We believe that our merchant marine should be developed through individual initiative and not be placed under government management, and we approve of the efforts of the President of the United States to bring about such a development as is necessary in order that our merchant marine may serve our commerce in time of peace and be a protection to our country in time of war.

Therefore, we recommend the modification of those sections of our shipping laws which make it impossible for our ship owners to compete on an even basis with ship owners of other countries.

Agriculture

WE are glad to note a steady improvement in the condition of the farmer, and we congratulate the agricultural community upon having organizations generally led by men who are showing marked breadth of vision and soundness of judgment in respect to the problems confronting this most important of our industries.

We can assure the farmers and livestock producers of the country that the bankers will continue to lend them their best aid in the solution of their manifold problems, which solution should be sought through private enterprise and not through government aid. We therefore, approve of the various endeavors being made by the farmers themselves to increase the facilities for the orderly marketing of their products.

Federal Reserve System

WE disapprove emphatically of the attacks made upon the Federal Reserve System and the members of the Federal Reserve Board individually. We believe that there is no surer way of hindering a return to prosperity than by attempts to undermine our banking system, which has proved its value through an unprecedented time of stress and strain.

Currency

WE regret to see that some of our people have not learned from the experience of Russia and the Central Empires of Europe that a sound currency system based upon a gold standard is absolutely essential not merely for the orderly conduct of the business of the country but even for the maintenance of civilized life.

Clearing House Examinations

WE recognize the importance to sound banking of examinations conducted under the auspices of the Clearing House Associations of the country, and we recommend the extension of this system of examinations to all communities of sufficient size.

Education

WE pledge our support to the incoming President of the American Bankers Association in the campaign to teach sound thinking along economic lines. We regard such education as necessary for the safety of our great democracy. We believe that the universities, colleges, and other educational institutions of this country should cooperate to further this work.

We recognize the splendid educational accomplishments of the American Institute of Banking, and we recommend its future possibilities to the active and intelligent interest of the members of this Association.

Guests

THE American Bankers Association desires to record its appreciation of the visit of the Rt. Hon. Reginald McKenna and his willingness at such a crucial time as the present to deliver his important and inspiring message. We regard his address as giving the clearest and most exhaustive picture of the international situation and his suggestions for the solution of the problem are worthy of the most careful consideration.

We also take this occasion to express our thanks to the Hon. Henry J. Allen, Mr. Thomas W. Lamont, and Dr. George E. Vincent for their brilliant addresses and their readiness to give advice and counsel upon the great questions confronting the nation at this time, and we are also grateful to the gentlemen who addressed the various separate Divisions and Sections of this Convention.

Retiring President

THE American Bankers Association desires to express its hearty appreciation of the statesmanlike administration of its affairs by its retiring President, Thomas B. McAdams, and it commends especially his success in coordinating the work of this Association with that of similar associations in this country and his continued effort to make available the resources of this Association for our government and people.

Mr. McAdams' administration has marked further progress in the usefulness of the Association not merely to its members but also to the country.

Executive Manager

WE congratulate our Executive Manager, Fred N. Shepherd, upon the successful conduct of his office and wish

to express our appreciation of the loyalty and faithfulness which he is showing to the interests of the Association and its members.

The Press

TO the press, we express our thanks for the courtesies and interest in our proceedings and for the full and fair comments with which they have favored us in their various publications.

Hosts

THE members of the American Bankers Association find it is impossible for them to express in adequate terms their thanks and gratitude to their New York hosts for the courtesies and kindnesses which have been shown them. They recognize that it required unceas-

ing labor on the part of many for a long period of time preceding the convention to have made the meeting such a brilliant success. Unable to name everyone who has contributed to the success of the convention and the pleasure of those attending, it would convey to Seward Prosser, chairman of the Committee of One Hundred; Mrs. Dwight W. Morrow, chairman of the Women's Reception Committee; Walter E. Frew, chairman of the Executive Committee, and Guy Emerson, Executive Manager, and through them to all members of their committees and any others who may have assisted in their work an acknowledgment of gratitude and appreciation.

M. A. TRAYLOR, *Chairman*
FRED I. KENT, *Vice-Chairman*
WALTER LICHTENSTEIN, *Secretary*

Taxation of Bank Shares; Amendment to Constitution

THE following resolution, submitted by the Executive Council was adopted by the Convention.

"In the interests of fairness and as a necessary protection to the national banks and all other banks against excessive and discriminatory state taxation, your committee urges adherence to the principle underlying Section 5219 U. S. Revised Statutes, that the taxation of national bank shares by the state shall not be at a greater rate than is imposed on other moneyed capital of individual citizens of the United States, as construed by the Supreme Court of the United States, and opposes the enactment of legislation which involves departure from that principle."

The following amendment to Article IX, Section 1, of the Constitution was recommended unanimously by the Executive Council at White Sulphur Springs.

"Omit the last sentence of Section 1 of Article IX as follows:

"If the question is determined affirmatively by two hundred of the members present at the convention and voting, the resolution or subject matter shall be in regular order and shall be considered and acted upon accordingly; provided that this section shall not apply to any proposed amendment of the Constitution."

"and substitute therefor:

"If the question is determined affirmatively by two hundred of the members present at the Convention and voting, the resolution or subject matter shall be in regular order and shall be considered and referred to a special meeting of the Administrative Committee or the Executive Council to be immediately called for recommendation of approval or disapproval. Upon report of recommendation by the Administrative Committee or the Executive Council, the question shall be acted upon by the convention; provided, that this section shall not apply to any proposed amendment of the Constitution."

Proposed Charge Tabled

The amendment was adopted.

The following proposed amendment to Article IX of the Constitution providing a new section as follows was laid on the table:

"Section 3. Questions which relate particularly and exclusively to either one of several classes of banks represented by Divisions of the Association shall not be acted upon by the convention or by the Executive Council, but only by the particular Division to which the question solely relates. In case of dispute whether any question presented under this rule relates particularly and exclusively to any one Division, the Administrative Committee shall have full power of decision. Whenever such dispute arises at any session of the general convention or at any meeting of the Executive Council, the question shall be referred to a special meeting of the Administrative Committee for immediate consideration and report."

President-Elect Puelicher's Acceptance

THE newly elected officers, President Puelicher, First Vice-President Head and Second Vice-President Knox were then installed.

George D. Bartlett, Secretary of the Wisconsin Bankers Association, expressed the appreciation of the Wisconsin Bankers Association of the honor conferred in electing a Wisconsin banker to the presidency.

PRESIDENT-ELECT PUELICHER: My friends, ever since the result of yesterday's election became known to me, I have been swallowing lumps as big as my fist, and there is one in my throat now, that

I have got to get down before I can say a word.

You have given me the greatest opportunity for service in the interest of our profession that can come to one of us. I approach the great honor very humbly. I appreciate the token from my friends in Wisconsin. It is there that I started my activities in association affairs. My home has always been there and their good wishes, as do yours, mean much to me.

I want first of all in accepting this office, to express my appreciation of the privilege of having been associated with

our retiring President. In addition to the intelligent consideration of every question that rightly came before him, he gave a loyalty and a devotion which will always leave the Association his debtor.

Mr. McAdams put into his work his big, warm, Southern heart and gave of his great, generous soul.

Much of his planning will be carried on in the coming year. Many of the things that he has instituted we will continue to further; many of the problems, the solution of which he has undertaken and that need further caring for will be carefully cared for.

We approach the year with many of the world's problems still unsolved. As we learned from Mr. McKenna's speech yesterday, the international situation in which we, by force of circumstances are vitally interested, is still without a solution, a solution in which the American banker must take a prominent, if not the most prominent, part.

The industrial situation is one which continues to give cause for worry, and there in conjunction with other national associations, we may be able to serve, as Governor Allen who addressed us so eloquently this morning found the solution. Think of it!

The agricultural situation is one to which special attention has been devoted. It has been the endeavor of the American Bankers Association to bring about a better understanding between the agricultural and the financial interests. The banker has learned that the farmer has a real problem which differs considerably from the credit problems of manufacturer and merchant.

On the other hand, the farmer realizes that his interests will not be served by furthering and promoting schemes which will benefit him temporarily, but will work permanent injury to the rest of the country.

In no field, however, can the banker be of greater service than in protecting the integrity of our banking and currency systems.

We have the terrible example of Russia before us. Russia deserted the gold standard. As so many of the world problems rest on the application of sound economics, the work of the Committee on Public Education, to make that knowledge more general, will continue to become more and more important.

The year will bring with it many new problems and in the solution of all of our problems I rely upon your active support and assistance. Now as I said in the beginning, you have given me great opportunity for service. I pray that I may

have the strength and the wisdom to render acceptable service. Life is service. In serving we live. I go to serve.

Seattle Wants the Convention

EXECUTIVE MANAGER SHEPHERD announced the receipt of invitations to hold the 1922 convention in Seattle. One from Frank Waterhouse, President of the Seattle Chamber of Commerce; the other from M. F. Backus, President of the Clearing House of Seattle.

Mr. Shepherd also presented an invitation from A. C. Bedford, Vice-President of the International Chamber of Commerce, and Chairman of the American Committee of the International Chamber, on behalf of the American Committee an invitation to the members of the American Bankers Association to join with other American business men in the second general meeting of the International Chamber of Commerce, which will be held in Rome, from March 18 to 26, 1923.

Presentation to Mr. McAdams

ROBERT J. Maddox, president of the Atlanta National Bank, on behalf of the Association, presented to the retiring President a silver service.

MR. MADDOX: I feel sure that we all will agree that the year just closing has been the most successful in the history of our Association, and the credit is due to the splendid services of our retiring President.

Coming from that splendid state which has contributed so much to our political, social and economic life, it seems he has caught the sunshine of the best traditions of Virginia and spread its glow over our entire Association. His charming personality, his untiring energy, his fairness as a presiding officer, his loyalty to all sections of the Association, his high banking ideals, his broad vision of our domestic problems, and his ability to see and point the way for America to continue to take her high place in the movements of the world, have all contributed to bring this Association up to the highest pinnacle of its achievement.

In bringing the leading bankers of Canada and Great Britain in closer relationship to the American Bankers Association, he has welded more strongly the bonds that bind these two English-speaking peoples together, and if he had done no more than to attract the attention of New York and make this Association once more seem worthy to be guests of this great city, whose hospitality we have recently so much enjoyed, that alone would have put us under everlasting obligations to him.

To be President of this Association is the highest honor which can come to any banker in this country, and although I see some of the former presidents, I am sure they will all agree with me that the standards of qualification for this office

have been steadily raised, and each year it seemed to be more difficult to fulfill them.

I fully realize that the greatest compensation which can come to our retiring President is the knowledge (which I am sure he deserves and must have) that he has the friendship and the good-will of every member of this Association; that he has contributed to the uplift and upheld the higher ideals of our profession, and that he has contributed in his administration much toward the progress of this country in the affairs of the world.

But we would like him to carry away with him some visible evidence of our appreciation of his splendid services, and I have been requested by the Association to present this silver service, as a token of our regard.

And now, Mr. McAdams, in the name of the American Bankers Association, I present to you this silver service, and may it say to you, your beautiful wife, and your lovely children, as the years go by, "I came from the hearts of the bankers of America, to their beloved President, Thomas B. McAdams, an able banker, a noble patriot, and a Virginia gentleman."

The Response

MR. MCADAMS: My friends, I had an idea while Mr. Maddox was talking that I should like to tell you a story, but he has been so kind, so effusive in his praise as to put me in no humor for jocularity. This has been a wonderful week. Last year has been a long year. We do not sometimes realize how much work is given to the bankers of America by the officers of the Association. I do not refer to the President, but I speak in behalf of all of those men from the various committees and commissions in the Divisions and in

the Sections who voluntarily serve week after week and month after month that at the end of the year there may come this expression through our annual convention of the achievements and purposes of the American banker.

That has been the kind of a year through which we have been, and it has been a great source of satisfaction to me that our response to the hospitality of these noble and lovely people of New York has been so full that we have had this wonderful opportunity to enjoy ourselves in this great city, and at the same time we have shown our appreciation of their desire to make the convention a real one by our attending fully every session of the convention and of the various Divisions, and through the hundreds who have been turned away because they could not get into the hall, we have definitely answered the criticism which appeared last spring in some of the financial papers that the American banker took no interest in the serious deliberations of his convention, but attended solely for the purpose of having a good time.

If I have accomplished nothing more than to have had something to do with suggesting that this convention be held in New York and making up a program which has brought all of us so close together, then I feel that the time and the labor has been well spent, but far beyond that I do appreciate the cordial co-operation which has been accorded me on every side. I appreciate the warmth of the handshake which I have received in the lobbies during the sessions of the convention; and I shall go back to my home, retiring now again to the routine of banking, with, as Will Rogers said last night, "the work of the world definitely lifted from my shoulders," and live in the memory of your kindness and consideration.



TRUST COMPANY DIVISION



Annual Address of the President

By J. ARTHUR HOUSE

President Guardian Savings and Trust Company, Cleveland, Ohio

SINCE the meeting of our Division at Los Angeles in October of last year, many important things have taken place in the world at large and in our country, all having a bearing upon the financial situation both nationally and internationally.

In the international field might be mentioned the Limitation of Armaments Conference held in Washington last winter called by President Harding so ably carried to a successful conclusion through the efforts of the President and Secretary of State Hughes. It is almost impossible at this time to estimate the effect of this important step in bringing together the five principal nations of the world to stop the enormous expenditures of money in the ever-increasing demands for better and larger navies. This conference might well be taken as a pattern for future conferences to consider many of the perplexing problems unsolved which are troubling this whole world of ours.

The failure of the Genoa and Cannes Conferences to accomplish the purposes for which they were called was most disappointing to those of us who had hoped that out of those gatherings might come a solution of some of the grave problems with which Europe is confronted.

We Are Interested

The almost total collapse of the European exchanges—the unsettled German reparations situation, the failure of the European nations to balance their budgets, the enormous issuance of paper money by those nations, the jealousies and lack of harmony among the European countries—all create a most difficult situation and one which will require the utmost patience, diplomacy and highest type of statesmanship to deal with.

We can no longer say to ourselves that we are not interested in the proper and just solution of the European situation; we are, for our future prosperity is dependent upon a reconstructed and normal Europe, and not only Europe but a normal condition in every country in the world with which we are doing business and in which we can find markets for our surplus of manufacture, of food and of agricultural products. Our farmer is interested in the price at which wheat sells in London, Paris and Berlin for the price established there fixes the price at home. Likewise we are interested in knowing what they have to dispose of.

The question of the settlement of the debts of European nations to us has a very important bearing upon many of the questions referred to and it is hoped that the commission appointed by Presi-

dent Harding to study this important problem will make a recommendation which will settle and solve the question.

So much for the international phase of the situation.

In our own country we have experienced a gradual return to normal business, interrupted unfortunately by industrial disputes and strikes of more or less magnitude, notably the coal and railroad strikes, both of which have tied up many industries, causing factories to close, throwing men out of employment and causing suffering and loss difficult to estimate. The hard and soft coal strikes fortunately have been settled and the railroad disputes bid soon to be a thing of the past. Whether we agree with the manner in which they are settled or not, the fact that they are settled tends to help the business situation of the country.

National Progress

The last year has given us much to be thankful for in the United States. One year ago unemployment was very general throughout the country and now practically none exists.

The adoption of the national budget through the efforts of President Harding, ably assisted and administered by one of our own trust company officials, General Charles G. Dawes, president of the Central Trust Company of Chicago, marks an epoch of far-reaching importance to our governmental affairs.

The insistence of Congress at this time in passing a Soldiers' Bonus Bill, calling for an ultimate expenditure of over \$4,000,000,000 at a time when the country is confronted with the task of meeting within the next year the problem of refunding many billions of dollars of maturing obligations, decreasing revenue and a deficit in the year's operations, again draws attention to the utter disregard of our lawmakers to the business side of our government. We stand for the most liberal treatment of our soldiers and sailors, who, in the discharge of their duty to their government and their country in the Great War, have become disabled or incapacitated, but the payment of a bonus to able-bodied men is wrong in principle and cannot be defended in a country such as ours. The action of President Harding in vetoing the bill passed by Congress is to be most highly commended and the country is fortunate in having as its President a statesman who has the courage of his convictions, and, seeing his plain duty, does not allow political expediency to influence him in the discharge of that duty.

Twenty-six years ago, when the Trust

Company Division of the American Bankers Association was organized, there were in the United States about 251 trust companies having total resources of about \$843,713,741. Today there are approximately 2,500 trust companies with resources in excess of \$12,000,000,000 as shown by their statements published on June 30, 1921. Just how much property the trust companies of the United States hold in their trust departments is impossible to state as publication of those figures is not required in most states, but undoubtedly, it is far in excess of the banking resources, and it is unquestionably a true statement that the trust companies of the United States hold in their banking and trust departments more property than any other group of banks in our country.

The importance of our business is emphasized the provisions of the Federal Reserve Act permitting national banks to establish trust departments and transact business under certain conditions. National banks, in ever-increasing numbers, are taking on trust powers as authorized by the act. We welcome them into the field—the surface has hardly been scratched and there is business enough for all.

Not a Side Line

Trust business, however, cannot be carried on as a side line and our concern is that it be conducted in the future, as in the past, on the same high plane of service by highly trained experts. And yet, in this tremendous increase in the number of banks qualifying to perform trust functions lies a grave danger that inexperienced trust men, overzealous for business, may innocently transcend the principles of trust company service, the canons of ethics, and the ideals for which this association has stood—every such instance reflects not alone upon the offending company but upon all trust companies. And so we have a problem at home, among our own profession—a problem of education—and I earnestly bespeak your consideration of a program which will bring to every trust official a comprehensive knowledge of those principles and those ideals which a quarter century of experience has breathed into the heart and life of this Association.

The Division has been active and alert with respect to all matters affecting trust company interests. Through our various committees every phase of our work is cared for. Our Federal Legislative Committee has carefully watched and taken appropriate measures for the protection of the interests of our business as far as

national legislation is concerned. There is now most urgent need for an amendment to our laws in respect to the final determination of the value of estates and a closer cooperation between government officials and corporate fiduciaries in securing greater service to the public in the administration of estates. I would urge all of our members to watch legislation affecting trust companies in their own states during the coming year when so many state legislatures will meet. In some states legislation very adverse to trust company interests has been enacted or proposed and it will be well for our membership to cultivate the acquaintance and friendship of state legislators so that they may frankly discuss with them any measures which may arise for consideration affecting trust company or banking interests in their respective states.

Most excellent results have come from the work and activities of the Committee on Publicity in the forwarding of the National Publicity Campaign and the sale of the trust company idea to millions of people throughout the country during the past two years. This pioneer work, undertaken and accomplished on a broader scale than ever before, merits the support of every member of the Trust Company Division. During 1921 and 1922 about \$110,000 has been secured for this work, and from the most careful and conservative estimates, which I made personally, I am of the belief that business already secured and written will bring to the trust companies of the United States earnings representing large dividends on the amount expended.

Our various other standing committees have been active, such as the Committee on Community Trusts, Committee on

Standardization of Charges, Committee on Staff Relations, etc.

I want to call the attention of the State Vice-Presidents to the responsibilities of their office and to suggest that they keep in close touch with all matters relating to trust company affairs, and to bring to the attention of the officers or members of the committee any subjects or situations that may arise during the year in their respective states affecting trust company business.

This year, from the standpoint of trust companies, has been most satisfactory. Reports coming in from our members from all sections of the country indicate that business is reviving and that our members are sharing in its revival.

Trust company services are coming to be better understood by the public generally through personal contact and skillful handling of trust estates. Judging from the great strides being made in my own city by our trust companies, the next ten years promises still greater success than in the past.

In February of this year was held our usual midwinter conference and eleventh annual banquet, which was probably the largest attended in the history of the Division. Out of the discussions came many valuable suggestions for increasing trust company business and the banquet was in every way a success.

Permit me to thank you for the honor you conferred upon me in electing me president of the great Trust Company Division of the American Bankers Association and for the many courtesies which have been shown me during my administration of this office. My appreciation is especially due to the officers of the Division and to the members of the committees who have performed the real tasks

and who have made the work of the year so successful and so pleasant.

Since I have read my report, some figures have been handed to me with respect to the total resources of the trust companies of the United States, as compiled by the United States Mortgage and Trust Company of New York, for the year ending June 30, 1922. These figures are from 2,372 trust companies, practically the same number that reported in 1921, and the total resources of those trust companies are \$12,739,000,000 an increase during the year of \$416,000,000 in resources, about 3.3 per cent. The greatest increases were in the states of New York, which gained \$227,700,000; Illinois, \$109,800,000; California, \$77,200,000; New Jersey, \$53,300,000; Maryland, \$34,100,000, and Massachusetts, \$33,200,000. Pennsylvania showed a decrease of \$72,000,000, and Texas \$40,000,000. The net increases by territory are approximately as follows: In the New England territory the resources increased \$53,000,000; North Atlantic, \$250,200,000; Southern territory, \$26,300,000; Pacific Coast, \$63,100,000; North Central \$104,000,000, and the Plains, \$8,600,000.

We are all interested in a proper and just solution of the European question. We are fortunate in having with us today one who has had a close touch and contact with the European situation, and who knows some of its problems; and I take great pleasure in introducing Alvin W. Krech, president of the Equitable Trust Company of New York.

On motion of Mr. Smith (New York), the president appointed as Nominating Committee to select five members of the Executive Committee of the Division, Messrs. McCarter, Sisson, Hennings, Fries and Teter.

Keeping Faith With Europe

By ALVIN W. KRECH

President The Equitable Trust Company of New York

A GREAT many people think that the European situation does not touch us. Certainly business by and large is good—better perhaps than at any time since the armistice. The proof of the pudding is in the eating. Present conditions speak louder than words. Our exports, though showing diminution, are still substantial. There is a plethora of gold and a plethora of agricultural products, and while wages are high compared with international standards, there is also a corresponding increase in our consuming power. Why should we worry? This seems to be the viewpoint of the average superficial observer as he points to the empty kerosene cans bearing the American trademark strewn over the landscape of Central Tibet, or shows how Paris and Calcutta alike have a preference for the Los Angeles film, and boasts that the sun never sets upon the motor cars turned out in Detroit, not to speak of our surplus cotton and copper and food supplies which Europe continues to take with

avidity. I am aware that some of us have publicly expressed the view that our export factor plays so small a part in the nation's business as a whole that even a violent disruption of our export business would not affect the nation's prosperity. A very sweeping and assertive statement, which everything in our national economy disproves.

In the year 1913 the world was at peace, and international trade was conducted under normal and peaceful conditions. During that year the value of our exports footed up approximately \$2,500,000,000 of which two-thirds was taken by Europe. These exports included 66 per cent. of our cotton crop, 10 per cent. of our wheat and 8 per cent. of our meat products. Such was our trade with a solvent Europe—with a prosperous, thrifty and industrious Europe. The Europe of today is pathetically poor! I need not paint the picture. Potatoes and turnips took the place of American grain in practically the whole of Central

Europe during the war, and, alas! it is to be feared that in certain countries potatoes and turnips may again become the fare of the masses.

Mr. Cravath, one of our intelligent international observers, recently wrote as follows:

"It will readily be seen what a serious displacement of agricultural effort would follow any permanent, radical reduction in our exports of agricultural products. The shock from this displacement would not be confined to the portion of our population engaged in agriculture. The diminution of the buying power of the agricultural population would automatically reduce production in many other departments of industry. The agricultural population, rendered idle by the reduction in production in the agricultural field, would seek employment in other activities, causing unemployment and reduction of wages. A readjustment would doubtless be accomplished after a sufficient number of years, but no one can measure the loss, distress, suffering and the lowering in the standards of living that would result in the meantime. Even though in the end the world would again be prosperous the loss to the United States would have been irreparable because other nations would have found means of getting on without, or them-

selves producing many of the commodities they have been in the habit of buying from the United States."

The question uppermost in my mind is, how long is impoverished Europe going to continue to take our goods, keeping in mind besides that our impoverished foreign customers will practically be forbidden the approach of the American market by the erection of our tariff wall?

For the first seven months of this year, preceding the erection of our latest tariff wall, our excess export balance had already shrunk from 1,361 millions of the previous year, to 455 millions, or approximately 35 per cent., the high of our excess exports balance being 2,671 millions in the year 1919.

There is nothing more fatal for any country than to have on its hands an unexportable surplus—whether that surplus consists of commodities or credits, some of our friends to the contrary notwithstanding.

Surely, on purely practical and selfish grounds, we are vitally interested in the restoration of European solvency, and in the maintenance of her capacity to take from our abundance. It is our plain duty to accelerate the process of her rehabilitation.

Touch Us But Remotely

The two great rocks which bar the road—reparations and Inter-Allied debts—have been made the main theme of this Convention.

Respecting reparations Mr. McKenna in his very able and scholarly analysis yesterday made two practical suggestions:

1st: That the immediate reparations demand be limited to what Germany's present foreign investments and balances may produce.

2nd: That she be given a breathing space for a few years, and thereafter pay whatever her exportable balance may produce.

But this whole question of reparations touches us but remotely, and only to the extent that it is the fundamental element in the stabilization of the European Continent.

The United States asked for no reparation and has gotten what she asked for. We have declined official representation upon the Commission. Signor Nitti has called the whole story of reparations "*un enorme equivoco*"—an enormous comedy of errors.

But the dénouement seems to be in sight, since M. Poincaré has for the moment abandoned his bellicose attitude and has accepted the latest recommendation of the Reparations Commission.

No one can find fault with Mr. McKenna's clear and logical conclusions—truth, facts, expediency, all these point the way.

But the inevitable dénouement falls with a heavy hand upon France. France has spent up to now 90 billions of francs on the rehabilitation of her devastated regions, and the deficit of her general budget amounts to upwards of four billion francs. The French people have an admirable way of answering the call of their Minister of Finance, and the new

loan which is shortly to be issued will find the same response as its predecessors. But even French thrift has its limitations, and besides the floating of loans does not go without its economic and financial dangers.

Leaving aside what Germany has already paid in kind and in cash, the reparation obligation has taken the following form:

Total—one hundred and thirty-two billion gold marks, divided as follows:

12 billions Series "A" Bonds with 5 per cent. interest and 1 per cent. amortization.

38 billions Series "B" Bonds with a like rate of interest and amortization.

82 billions Series "C" Bonds.

What bearing has the proposed cancellation of Inter-Allied indebtedness upon the reparations question?

The funding negotiations with Great Britain will take place, probably, in November. However willing or able Great Britain may be to meet her obligation, we may well find it inexpedient to accept her payment in strict accordance with the terms of the Funding Bill. Experience has demonstrated that the actual liquidation of so huge an international debt is far removed from an unmixed blessing to the creditor nation. But as to her ability to pay there is no doubt. Great Britain can pay, and, what is better, wants to pay. "The British Empire," the *Morning Post* wrote lately, "is built upon pride. Take away the Britishers' pride and they are nothing."

Speaking of the British indebtedness to the United States, Mr. McKenna tells us that Great Britain is prepared to honor her bond in full.

Finest Collateral

Gentlemen, British pride and British honor have always been the finest collateral in the world.

As to France and Italy, does anyone really believe that our forgiving of their debts would in any way help the Allies to collect from Germany? Since France and Italy are perfectly safe in leaving out of their calculations, for the moment at least, the amounts they owe to America, what immediate good could a cancellation of the debt bring about? In my opinion cancellation of the debts would not in the least affect the present aspect of the reparations problem. "Oh, yes!" I hear you say, "cancellation, or, at least, a part cancellation of the debts, would probably be immediately answered by a cancellation of a corresponding amount of 'C' Bonds." Very good! But the "C" Bonds are but a mirage on the distant horizon, and when all has been said and done the reparations payments in the latest form are not even sufficient to touch the fringes of the "B" Bonds. Nevertheless, I do not want you to take this as an argument against cancellation; I merely want to point out that the Reparations Commission, whose duty it is to collect from Germany, would not find its difficult task lightened by even so drastic a measure as the cancellation of the Inter-Allied debts.

About a year ago I had the honor of discussing this subject before the American Economic Society, and I have since seen no reason to change my views. I said then: "the moment is ill-chosen to bring the question of the cancellation of the debt in so uncompromising a manner before our people. Economically speaking, we are at present a very much harassed people. The burden of the taxes, the difficulties and hardships brought upon us by deflation, make it very hard for the people at large to examine so important a question in the right spirit. Therefore, I propose that we should take a leaf out of Secretary Hughes' book and declare a holiday of ten years for our Continental allies, during which the debt would be considered as non-existent. After the ten years have elapsed the question of the cancellation should be taken up again. I believe that these ten years of an absolute suspension of the effects of the debt would create an atmosphere of judicious aloofness. We should then be in a much better position and also in a much better mood to approach so vast a proposition."

Ten Years Hence

"After all, it will be granted that in 1931 things may look quite different from what they do now. Our debtors are hardy people, who have weathered more than one storm, and ten years should witness great changes for the better in their affairs. But the point is not so much to wait ten years in the hope that our allies may be in a position to pay easily their debt; my proposition is not a veiled moratorium. I conceived it in the hope that, ten years hence, conditions both in this country and abroad will have prepared a better terrain for the discussion of the problem."

The terrain for the discussion of the problem was at the time so little propitious, indeed, that, instead of the *beau geste* advocated by Professor Seligman and so many of our best minds both in academic and financial circles, the Bill for the Refunding of the Allied War Debts was signed by President Harding on February 9, 1922.

Quite naturally, the people and the press in Europe were far from pleased at the action taken by the United States Congress. Eight months have passed since the signing of the bill, and it will be admitted now that the bill is anything but a summons to pay. The bill merely creates a World War Foreign Debt Commission, which is authorized to refund the debts of the former Allied and Associated Powers. But, as has been pointed out in our discussion, the commission's power is very strictly limited by the proviso that the time of maturity of these debts cannot be extended beyond June 15, 1947, at an annual interest rate of not less than 4¼ per cent. Finally, the commission's authority to refund the debt is to cease at the end of three years from the date of the passage of the bill. In other words, the bill means that a commission of five should start negotiations with our debtors, but its power to refund the Allied war debts is made dependent upon the proviso of a twenty-

five years' maturity. Because of the very strictness of this limitation the commission is practically precluded from refunding the war debts, and all it seems to be able to do is to discuss with the representatives of the foreign treasuries the possibilities of eventual payments. The commission is told to try to refund the war debts, but only on condition that the maturity be not extended beyond the twenty-five years. If the commission is unable to obtain from the debtor acceptance of the maturity stipulation, all it can do is to report its failure. The bill, and this is the parting shot, graciously grants three years to the commission to try and do its best.

The bill, I repeat, is not a categorical summons to pay; it is an invitation to talk matters over. It undoubtedly serves notice to the Allied world that our people are not in favor of a cancellation. It does not at all warrant the criticism that America is an implacable, merciless creditor. The solution I suggested in Pittsburgh would have this advantage over the Funding Bill in that it takes the question out of the realm of politics for a definite period.

To Shape Our Own Policies

In the meantime the important thing for us is to know how to shape our own financial and economic policies with an eye upon the European situation. We have not ratified the Versailles Treaty, we are not in the League, we are not on the Reparations Commission, but our abstention from the councils of the world does not preclude us from living in the midst of a world of which, whether we like it or not, we are a very powerful, but still a dependent, part. Our failure to occupy a seat at the conference table in Genoa has certainly not lowered an asbestos curtain, financially or economically speaking, between Europe and us. Our State Department turns out polite notes declining invitations to attend international gatherings, but in the meantime our people subscribe to foreign loans, buy foreign exchange, or sell locomotives to countries whose credit rating is not even always very reassuring.

On the other hand, you will have noticed, for instance, that our people have become less enthusiastic in taking up foreign loans which certainly goes to prove that we are following as closely as possible affairs in Europe, and that our financial seismographs record even the slightest transatlantic tremors.

Useless Advice

Much gratuitous advice has been given to poor Europe. Europe is told to balance her budgets, to reinstate the gold standard, or failing this, to stabilize her currencies; to levy higher taxes—in a word, to behave according to the rigid precepts of a conservative political economy. Good, sound, old-fashioned economics, but they are the preaching of categorical imperatives about as impossible to comply with as the friendly advice to a man falling off the Woolworth Building, to whom one would say, "Go slow, my friend, better take your descent

in easy stages; or, better still, go back to your starting place and don't fall."

History, after all, like the experience of the individual, is the very best teacher.

After our Civil War the recovery of the Southern states, with their currency wiped out, their obligations repudiated, would have been delayed for generations had they not been a part of the greatest interstate free trade area in the world. Free interchange of goods, commodities and service unhampered by artificial barriers was immediately resumed.

I believe and hope that Europe will sooner or later profit by this experience in our history. It is high time, now that self-determination has been at least measurably accomplished—though not in all cases with full justice—that the snarling and bickerings and quarrels of Europe should cease and be replaced by sound principles, mutual understanding and mutual cooperation. It is high time that Europe should cease her criticism of the aloofness of the United States, and that the various nations get together for their mutual interests.

European Community

The British review, *The Round Table*, observes that many Americans had felt acutely that the United States should take a hand in the work of reconstruction, but that these Americans had also felt that the greatest necessity of all was that the nations of Europe should begin to show some kind of European community. This is well said. America is very little inclined to play a part in the European concert, and when she receives the flattering invitation of assuming leadership she must refuse to accept the baton of a guest conductor. But America will not withhold her cooperation from a Europe which shows some sense of European community.

England, a creditor nation for more than a century, maintained her financial supremacy, not by collecting and spending, but by collecting and reinvesting what she collected. The statistics of the growth of her foreign investments show that her foreign holdings have been stead-

ily built up by the accumulation of interest.

America, a young creditor nation, with enormous sums of money flowing back to her in the form of interest and sinking fund payments, will necessarily be on the lookout for safe and profitable reinvestment opportunities. The problem of finding markets for her exportable surplus of goods will be paralleled by a not less vital one—the finding of employment for her exportable surplus of credit. Not in the form of gigantic international loans—I must confess that my imagination stalls when they are under discussion—but the future holds for the American investor countless attractive opportunities which, as time goes on, he cannot afford to neglect, if once Europe gets together on safe, sane and practical lines. That such a movement is going on on the Continent is without question. There are innumerable instances where these silent forces—constructive, friendly, cooperative—are actively at work. A loan to Austria guaranteed by her former enemies; German Treasury Notes assumed by British and Dutch banks; a French group and a German group coming together in an effort to effectuate on a practical basis the reparations in kind; the Soviet Government recognizing the vested rights of a British corporation; Austrian banks re-establishing their branches in the succession states; are facts which show that Europe is fast coming back to her senses. These are not quixotic or fantastic suggestions. Europe is putting herself in line with them.

Keep Faith With Europe

Keep faith with Europe? Surely there is no other way out either for Europe or ourselves. From the ethical point of view, our duty to stand by Europe attains the heights of a moral law, which we cannot possibly escape. I think that it was Plato who said that the man who could live alone was either a god or a beast, and this is as true of nations as it is of men. From the cultural point of view, America refuses to turn her back on the nations which have shared with her their art and their learning. America's soul, so full still of the poetry, the songs, the legends of the old countries, can never give up her yearning for the European shores. America must keep, will keep faith with Europe, but Europe must do her part and keep faith with herself.

PRESIDENT HOUSE: We have a treat in store for you. The eyes of the world at the present time are centered on that little section of the world known as the Near East. We are fortunate in having with us a man who knows the Near East, having been our Ambassador to Turkey during the war and prior to the war, and who has just returned from Europe within the last two days.

I take great pleasure in introducing Henry Morgenthau, former Ambassador of the United States to Turkey.

The Fourth Mid-Winter Conference and the Twelfth Annual Banquet of the Trust Companies of the United States will be held Thursday, February 15, at the Waldorf-Astoria, New York City.

Plan your mid-winter trip to New York in order to be present at these two events.

The Conference: An all-day discussion of practical problems confronting trust company officials.

The Banquet: An evening for recreation, relaxation, forming and crystallizing friendships. Absolutely no "heavy" addresses at this year's banquet.

Causes of Trouble in the Near East

By HENRY MORGENTHAU

WHEN I was asked this morning to come here and say a few words, I could not refuse because once upon a time I also was president of a trust company, so I have a very companionable feeling.

I had a few minutes with Mr. House and he thought you would be very much interested in knowing something about the Near East. I listened with as much and perhaps even more interest than some of you—to the very splendid address of Mr. Kreh, and I agree with practically all he said, but he left a lot of things unsaid. He did not take into consideration sufficiently the political and the human aspects that these foreign countries are confronted with, and I am going to confine my remarks to one of the most serious things, and that is this festering boil in the Balkans, Turkey, which does not seem to be curable, which will some day have to be destroyed before you can have complete peace in the Balkans.

Continually Exploiting

Turkey, under the rule of Abdul Hamid, was for thirty years continually exploiting all her people. The Turks were living as parasites on the other peoples that lived in their country. After this Young Turk party came into power, they discovered in a very short time that these centuries of misrule of the Turks had so completely exhausted the Turkish people, had deprived them of all sense of freedom or desire for self-government, even, that they made up their minds that the only way in which they could continue their power was to be Abdul Hamids themselves, so that instead of one there were certainly thirty or thirty-five, because there was an Executive Committee of the Union and Progress Party, which really was then and is now the invisible government in Turkey. This committee can be best compared to the leaders of an organization like Tammany Hall.

These men were determined, at all hazards, to retain power as long as possible, and when the Great War broke out they determined to throw their lot with the Germans; they were the ones who ordered the massacres of the Armenians and started this pillaging which has been going on ever since.

Now when peace was made the conference in Paris determined to cut up Austria—and it did. The powers cut it up so completely that they took off both her arms, both her legs and as much of the trunk as they could without reaching the heart. They left something that could not function or operate and we see what has been the result. Austria had to submit because they were right in the center of Europe and the people around them were ready to organize these countries and take advantage of it.

Germany, as you all know, was so charged with an amount of reparation, that today she is like a crushed gladiator on whose head the victor is sitting and

saying, "Get up and earn something to pay me for the damage you did to me before I put you on the ground!" I have no sympathy, as such, with the Germans as a nation, but I believe that it is an utter impossibility for them to rise and live, as long as the army of occupation is there and this reparation hangs over them. I do not think that a mere suspension of ten years' time will help the situation. We, as trust company men, know that if we have a bad debtor and we are strong enough and can be honest to our stockholders and to our depositors and to ourselves, and we feel we cannot collect any of it, or only a small portion of it, we will not carry it as an asset on our books—we will cancel it or reduce it.

Krupp's Plant Converted

In Germany, I had the extreme pleasure or privilege of visiting Krupp's factory. I saw those people at work and I talked with the managers and I received a thorough explanation of how they converted their factory (where they used to make armor plates) in four months into a locomotive factory and were turning out one locomotive a day. I visited the other place where they made the turrets for the submarines and I saw them making these great big pipes for the nitrate plants.

I asked them how long it would take to reconvert Krupp's establishment for war purposes. They told me not quite as long as it took them to construct it or change it for civil purposes.

But I found that Germany was in that position that it is utterly impossible for them, with their marks depreciated, as they are, to continue to do business much longer.

The third country, Bulgaria, was cut off from the Mediterranean, her ports were taken away, and Bulgaria is today just watching and waiting for an opportunity to get back her chance to have a seaport.

Then when it came to Turkey, what did they do? These people divided Turkey among themselves: Great Britain, France, Italy and Greece. They did not know the psychology of the Turks and did not know how the Turk was living and on how little he could live and in what a desperate economic state he was. All these other peoples had commerce and industry to protect and preserve. The Turk had nothing of the kind.

When the Turk found out that these other countries were following up what had been going on for ten years, or more, and how he had lost Herzegovina and Bosnia and Bulgaria and Greece and Roumania, and that now he was to lose a number of other territories and sections of land, he retired to his home in Constantinople and considered what to do. The world did not consider that it was of much importance, but these men concluded that although the British and

French had the Sultan in Constantinople, and that he was ready to approve of the treaty, they would rebel; they would resort again to what they had done repeatedly—a system of anarchy, and set up their own government in Angora—which they did.

As you probably know, the Turk defeated the attempts of France to secure a firm hold in Turkey. France made the treaty of Angora and agreed in that treaty that she would not fight the Turk. Italy also made a treaty in which she agreed to turn over munitions which she had in Turkey, and not to fight against the Turks. Greece, who was making this great fight, encouraged by the other powers at the beginning, had to fight on and was defeated not because the Greek army was weak, but because King Constantine took control of the government and replaced a very able general by one who, I am reliably informed, though I have not the absolute evidence, was an inmate of a lunatic asylum for two and a half years. This man immediately removed all the good generals and officers that Venizelos had put there and furthermore told them that within a month they would be back in Athens with their wives and sweethearts. They returned to Athens, but not in the way the general thought they would.

No Justification

Now, the Turks pursued these men. There is no question that the Greeks in their retreat did some damage to the Turkish villages and did murder some Turks, but nothing that occurred could justify the cold-blooded murder and destruction that took place at Smyrna.

Gory with blood, full of loot, the Turk reached a point fifteen miles from the Dardanelles, the neutral zone. Nothing was there to stop him from running amuck, following the Greeks right into Europe, right through Thrace, except the British navy and the British general, Harington. None of us know except those who were behind the scenes, what a grand piece of work Great Britain did again! Great Britain saved the civilization of the world within the last two weeks.

If the Turks had been permitted to enter Thrace at that time not peacefully as they may be permitted in a few weeks, but as a warlike nation and with the determination to crush the Greeks, the Bulgarians would have risen, and it seems to me that the Germans would have taken courage and would have said, "If Kemal with his few untutored soldiers can make a stand against the united Allies, why can't we do it?"

Great Britain today is standing a tremendous strain for the preservation of civilization. She is under a terrific strain and you men who are moneyed men and represent money, let us forget that for a moment, let us realize that we are the guardians of civilization, as well as Great Britain and that we have to stand back of it and do our share.

Growing Hazards in Conduct of Safe Deposit Business

BY WALDRON H. RAND

Vice-President of the Commonwealth Trust Company of Boston

TO one who like myself has lived for the past twenty years almost continuously in the midst of these hazards and liabilities, and who has seen these same hazards and liabilities broaden here and diminish there as the business of safe deposit grew and expanded from its original modest beginnings, twenty minutes seem indeed a short time in which to deal with such a subject.

There has been a steady increase in the hazards and liabilities of the safe deposit business. Much of this has been unavoidable. The safe deposit business is of about fifty years' growth, and in that time it has expanded tremendously. Back in the old days, the first thought was to use every precaution to make the vault strong and secure against forcible entrance, and the vaults that were then built were built regardless of expense. They stand, some of them at the present time, a monument to the integrity and courage of their builders and also a standard of vault construction that it would have been wise if the present day had more religiously followed.

Competitive Feature

As the public gained confidence in the safe deposit companies and began to realize the increased safety to their possessions, their valuables, their securities, in depositing same in a properly built, organized and maintained safe deposit vault, as the business grew, there came forward, as there comes forward in all business, the competitive feature. I think it is to this spirit of competition, which induced many banks to open safe deposit departments without sufficient investigation as to the cost of construction and the overhead expenses of maintenance, that we owe much of our present day trouble and worry. This factor, and also the great increase in the number of persons owning securities of a nature negotiable by delivery, such as Liberty bonds, has brought the question more and more acutely to the front.

Take Stock of Equipment

Steadily, as the safe deposit business has grown the vaults have become more and more subject to attack both during closed hours and during the open or business hours. This has made it particularly necessary at the present time for all bankers who have to do with the safe deposit business to stop and to take stock of the equipment with which they are doing the business and the grade of service and protection they are offering their customers.

It is a most important matter for present discussion. I do not believe that the majority of the bankers of this country begin to realize the hazards, and risks and responsibilities entailed in the conduct of a safe deposit vault. Perhaps the

best way will be to spend the time allotted to us in first considering roughly what the hazards and liabilities are—what the risks and responsibilities—and then in discussing briefly the methods of reducing or minimizing these.

All these risks and responsibilities base in the duty of safe deposit vaults to their box holders to furnish the highest grade of protection. If we consider briefly what this duty is we will gain a practical viewpoint from which to define these responsibilities. The hazard is always grounded in a claim of loss by a customer. These claims fall under three headings—the claim arising in an actual loss, the claim arising in an honestly believed loss but where in fact there is no loss attributable to the safe deposit company, and the claim arising in a plain frame-up, a blackmail attempt to bluff a bank into some settlement to avoid the threatened publicity. The defense against each class of claim is the same. It is in brief an anticipatory defense, that is a defense centered in the maintenance of the highest standard of vault construction and of service—construction and maintenance—the cause of practically all the risks and hazards of the safe deposit business and at the same time where properly standardized, the main line of defense against any claim of loss by a customer. Just what is this required grade or standard of construction and maintenance?

Bank's Responsibility

Everyone, I assume, understands that a bank is not an insurer or guarantor of the safety of the contents of its safe deposit vault. The safe deposit laws of states as to the duty of safe deposit vaults to their customers differ; but it may fairly be said that the prevailing law of the United States as to the legal duty of a bank engaged in the business of renting safe deposit boxes is that such bank is required to use that degree of care in the safekeeping of the property deposited therein which is demanded from a bailee for hire in the keeping of valuable property. The highest standard of care is required of such bailee. In a certain Federal case dealing with this subject the Court said, "Persons depositing valuable articles with them (safe deposit vaults) expect that such measures will be taken as will secure the property from burglars outside and from thieves within and also that they will employ fit men, both in ability and integrity, for the discharge of their duties. An omission of such measures would in most cases be deemed culpable negligence so gross as to amount to a breach of good faith, and constitute a fraud upon the depositor."

So you see that a bank conducting a safe deposit department is legally liable for loss sustained by a customer arising out of any failure on the part of the bank—

1. To use the highest standard of safe

and vault construction. This, of course, includes the type of keys, locks, burglar alarms, and the like.

2. To maintain the highest standard of service and of protective efficiency in the conduct of the business both during closed hours and open hours.

Is this standard of safe and vault construction and of maintenance being maintained throughout the country? If not, it is perfectly obvious that there is existing in those localities where such standards are not being maintained a constant condition of risk and hazard, not only to the bank that is failing in this duty to its customers but to all banking interests of the locality.

Standards

First, as to the standard of safe and vault construction, can we state what this standard is in general terms? I hardly think so. It would be easy enough to state what constitutes proper vault construction in any specified case, but the problems of vault construction vary so greatly with the locality in which the bank is engaged in business that no one general rule can be followed. A bank, for example, located in the midst of the big city has far different problems of construction from a bank located in a small suburban town or country village. Yet it must be constantly borne in mind that each one of these problems is definite and ascertainable, and each problem is of prime importance not alone to the suburban or city bank involved, but in fact to the entire banking community. If a bank from motives of false economy, through a desire to save a few dollars, constructs a safe deposit vault for customers that is not of sufficient strength and this fact becomes known to the public through some loss, the effect is similar to the throwing of a stone into the middle of a calm pool of water. The ripples of distrust spread steadily and in ever-increasing circles from the point of disturbance until the whole banking pool suffers somewhat from the commotion thus aroused. It is of mutual interest to all bankers that a correct standard of construction prevail in the safe deposit business.

Turning to the second division of the safe deposit business, namely maintenance (the duty of maintaining a proper standard of service), we find that here also there is far too apt to be a failure to maintain such standard. Correct identification of customers; the constant watching of customers while in the vault and on the premises; proper restrictions as to the place of examining contents of

safe deposit boxes; the leaving of keys by the customers in the lock; the proper care and custody of the keys of unoccupied boxes and the proper method of delivery of the same to new customers when the safe is rented; the keeping of proper written records of ownership and access; the installation and maintenance of suitable burglar alarm systems; above all, the choice and training of an efficient personnel of vault attendants; all these are details of management that will certainly be exhaustively inquired into in the event of a claim of loss by a customer.

Disregard of Liabilities

To sum up, proper construction and maintenance are both vitally necessary in the conduct of a safe deposit business. As yet they have not been standardized as they should be. The cause in many cases is ignorance. Where this ignorance is ignorance of the proper type of construction and of maintenance it is inexcusable, for in recent years the growth of the safe deposit associations through our states has been such that no banker need, nor will, be excused from having a knowledge of how a vault should be constructed and how it should be run. The ignorance lies to a degree in the blind disregard of the liabilities, which a bank runs in conducting a safe deposit department merely as a convenience for depositors, furnished, without prior investigation as to costs of construction and maintenance and along lines of false economy. Yet this cause of ignorance ought not at the present time to exist either. We have had instances within recent years of the fatal blow that a legal attack upon a safe deposit vault carries against both vault and parent bank. Such an attack is in all cases sure to be a deadly one and fatal to the existence of the bank itself unless the evidence discloses a proper vault construction and a proper system of management by a force of properly paid and properly trained officers and employees.

Blow Against Credit

You cannot avoid such a threat by incorporating your vault as an independent corporation. This step has, to be sure, certain advantages (for example, in liquidation and where stockholders are assessable under state or Federal law); but the force of the blow is against the public credit, the reputation, and the standing of the bank more even than against the dollars and cents of its assets.

Nor can a banker, as some are attempting to do at present, protect himself, his stockholders and his bank by insurance. In the first place, no insurance that is written covers the most probable sources of liability, and, in the second place, insurance will in all probability not be paid until legal liability is established, and

legal liability can only be established by court proceedings with the inevitable accompanying disclosure of the type of construction, the grade of service—in fact, all the important items and details of the vault management and equipment.

No, the only way of minimizing this risk is to face the situation squarely, to have your safe deposit vault of proper construction and surrounded by all approved modern safeguards, and to conduct the business of safe deposit with an efficient and trained personnel in a manner approved by present day safe deposit associations. Too many banks have grown into the custom of conducting a safe deposit department merely as an adjunct to their business, installed for its supposed advertising value, and upon which, naturally, as little money is to be spent as possible. This has been the history in several cases of recent legal proceedings, and in each case it has been an exceedingly humiliating and costly history as retailed to the public by way of the press—costly not only to the bank involved but also to the entire banking community. And, repeating myself, I wish again to emphasize the fact that this latter phase is a very real one—the loss to general banking in credit, standing and prestige when any one bank is publicly exposed as being remiss in its duty to its customers.

Make It Self-Supporting

One great error in the establishment and maintenance of safe deposit departments, and one which has been the cause of unsatisfactory conditions of maintenance and equipment, is the failure to make the safe deposit department self-supporting; that is, the failure to provide adequate receipts by charging customers a sufficient rental for their boxes. There

is a tendency to beg this question, to charge off the expenses of the vaults to advertising. This is not only unnecessary but it is very serious in its effect on the morale and the standard of maintenance in such departments. No one is going to look for a cheap bargain in safe deposit rental when the matter involved is the safe custody of his or her entire worldly wealth and savings. The hiring of a safe deposit box is a striking exception to the economic law of barter and trade. No one of average intelligence wants anything but the very best, and the price, within reasonable limits, becomes practically immaterial. This has been illustrated time and time again within the last two or three years where banks have deliberately raised the price of their safe deposit boxes. In each case the loss of customers because of such advance in price has turned out to be practically nil.

Suggests Investigation

The safe deposit business has grown to large proportions. The only way is to standardize it just as so many other departments of banking are now standardized. The proper committee of the American Bankers Association should be instructed to investigate and report facts necessary for a standardization of construction, equipment and maintenance. The report of such a committee would furnish the banking world with a standard to which all safe deposit departments could be held. If this were done, failure on the part of a bank to observe such a standard would soon be so exceptional as to become practically non-existent. The public would be the better served, the banks and trust companies the better protected, and an important branch of banking business guided into safe and prospering channels.

Opposes Removal to Washington

FRANCIS H. Sisson: Before I present what is really to be a very simple report to which Mr. Merston has given rather a grandiloquent title, I want to make a motion and read to you a resolution which was passed at the meeting of the Executive Committee held Monday and to which I would, in harmony with the feeling of my associates on the Executive Committee, wish to draw your most careful attention. The resolution reads as follows:

"Whereas, the President of the Division has reported to this committee that the question of the removal of the offices of the American Bankers Association to Washington, D. C., has been again referred to a committee of which he is a member, and

"Whereas, heretofore the Trust Company Division through its Executive Committee and by action of its convention has expressed definite disapproval of such removal, therefore be it

"Resolved, that this committee reaffirms at this time its disapproval and recommends to the members of the Division that at the convention to be held on October 5, 1922, similar action be taken."

Mr. President, I move you the approval of this resolution, presented to us by the Executive Committee, and its adoption by the convention here assembled.

The motion was seconded and unanimously carried.

Telling the Story of the Trust Companies

By FRANCIS H. SISSON

Vice-President Guaranty Trust Company, New York

YOU will see on the boards at my left the real exhibit and the real report which this committee has to present, and so far as the phrasing of English permits, the bulletins upon those boards and the advertisements which you have all seen, tell the story of the trust companies and spread their message of service to the best advantage that this committee you have asked to send this message has been able to devise, and so I have in mind to give you simply some of the facts which have attended this campaign and to outline some suggestions for its continuance, if in your judgment that is desirable.

During the year 1921 in which we started the campaign, the trust companies contributed \$67,430 to its maintenance, and of that amount \$188 was carried over to 1922, and in the year 1922 the sum of \$47,000 has been contributed by the companies to the campaign, of which \$11,000 remains unexpended.

The results we have secured from this campaign have been summarized briefly by the president in his report to you, but perhaps a little elaboration might also be of interest.

10,000 Inquiries

We received altogether in inquiries at our central office, something like 10,000 letters. Many inquiries were made of individual trust companies, of which we have no record. We used national periodicals in telling the story of the trust companies, with circulation of about five millions, which as periodical publishers compute, means about twenty millions of people were reached with our message.

The first year we distributed 98,000 booklets to those who subscribed to the campaign, and 63,000 leaflets and pamphlets of various sorts. This current year, we have distributed about 52,000 booklets and about 47,000 leaflets.

But this work in that particular field of course has been limited by the number of subscribers and by the amount of their demand being somewhat lessened because of the general economic conditions.

I have here compiled from the letters which we have received, scores and scores of favorable comments upon the work of the campaign and the results which the companies feel that they have secured from it, but it is not my desire, nor have we time, to go into any detail of what these responses have been, other than to say they have been unanimously favorable and very appreciative.

Your committee comes to you with this brief recommendation: that this work be continued; that it be continued for several reasons. In the first place, that as an agency for spreading understanding of corporate service in the trust field, of corporate executorships and trusteeships, and so on, that we serve a splendid purpose by spreading this campaign of education in breaking down misunderstand-

ing and opposition, in making selfish opposition unprofitable and unresultful, and better than that, of spreading the knowledge of corporate service to the point where we constantly increase the business resulting from that understanding.

We believe that we are serving a worthy end in advising the American people of the service we have to render, and we welcome participants in that field of service enthusiastically. We feel disposed to compliment greatly, and with all the appreciation we can voice, the advertising that has been done by many of our great companies, particularly in our larger cities, in the spreading of this story of service, and in the education of the public concerning the goods we have to offer.

Field Is Vast

In many states we face conflicts with the Bar, in many states we face competition with those whom we feel are not so well qualified to serve in these capacities as are the organized trust companies; and that everywhere we face an ignorance of the quality of service which well organized trust companies can render along fiduciary lines which we can constantly attack, and in the dissemination of knowledge concerning these services secure a constantly increasing volume of business.

The field is so vast, the opportunity is so great that every dollar we can spend intelligently in that field must be returned many fold to those who are prepared to render the service which we advertise.

We will be delighted to have suggestions from those who subscribe to our campaign at any time; we have been feeling our way in the course of its development, but we believe that we have struck a note of service which is sound and profitable and which may well be continued.

Propriety of Advertising

The dignity of trust service bears advertising and salesmanship, and the old banking idea that it was undignified to advertise any form of service of this character has been so long lost sight of that I need hardly make an appeal on that point. But I am willing to state my own deep conviction, which I am sure is shared by many here and perhaps all, that any service that is helpful to human beings; that any service that is honest; that any service that helps ameliorate the conditions of life or to simplify the conditions under which we must live is salable and advertisable with complete dignity and self-respect. And the trust companies have entered that field of selling their services, individually and collectively, with what I believe is dignity of approach and character of statement, which command the utmost respect.

If by any chance we ever depart from those high standards and those proper

ideals we would be glad to be criticised and I present them to you only as the standards by which we are guided and in some measure the promise of the results which we hope to attain.

I ask for the support of the Trust Company Division in our further campaign which we hope to wage more intensively next year, and if we could by any chance secure that far-off ideal of one hundred per cent. cooperation, I am sure it would be with lasting results to the great service which we all hope to render and profit to those who render it.

PRESIDENT HOUSE: I know I voice the sentiment of every member of the Trust Company Division when I say that we appreciate the work which this committee of which Mr. Sisson is the head is doing for the trust companies of the United States, and it would be a wonderful thing if we could get that one hundred per cent. cooperation. The work it has accomplished in the short two years of its existence has been marvelous and I urge upon those of you who are not contributing to the campaign, that you do so, because it is worth while. The burden ought not to fall upon a few. If it is distributed over the whole of our membership, the amount for each one to pay will be comparatively small. The results will justify the expenditure.

Cooperation With the Bar

PRESIDENT HOUSE: One of the most important committees of our Association and one which has had a great deal to do with controversies all over the country in connection with our business has been that of the Committee on Cooperation with the Bar. We would like to have a brief report from that committee at this time. Mr. Stone will present the report in the absence of Mr. Miller, the chairman. (Applause.)

MR. STONE (Detroit): Wm. S. Miller, of the Northern Trust Co., Chicago, chairman of the committee, who attended a meeting of the committee early in the week, was called home and requested me to report briefly for him.

There is very little other than the routine work of the committee to report. A number of cases have come to the attention of the committee during the year, through attorneys, trust companies and by direct observation of Mr. Mershon and members of the committee, in which trust companies and banks with trust departments have advertised to draw wills free of charge, to furnish free legal service and to do some other things which are peculiarly within the province of the lawyer. These cases have been handled by Mr. Mershon along lines fixed by the committee in a manner entirely satisfactory to lawyers and the trust companies and banks concerned. They arose unwittingly and without intention on the part of the trust companies and banks and it is fair to say that they are rapidly becoming fewer in number.

The committee has acted in an advisory capacity, in a few situations where a lack of understanding as to the real functions of a trust company and the manner of its operation existed, and where legislation embarrassing to them seemed likely. These cases have mostly been adjusted or are in process of adjustment to the satisfaction of all parties.

A law was enacted in California during the year, covering the unlawful practice of law by corporations, which the trust companies and banks and other corporations of that state regarded as sufficiently embarrassing to the operation of their business as to require a referendum and a campaign is now being conducted there with a vote thereon next month. In the state of Washington, where there had been in force a drastic law affecting trust

companies and banks with trust departments, the cultivation of a better understanding with lawyers has resulted in very considerable and satisfactory modifications of the law.

Upon the part of the lawyers there has been no concerted action during the year, other than the adoption of a resolution by the Conference of Bar Association Delegates, held during the American Bar Association convention in San Francisco last August, affirming a resolution adopted at its Boston meeting, which welcomed the effort on the part of trust companies to cooperate with the legal profession and which recommended to state and local bar associations that they bring cases to the attention of the Trust Company Division.

The committee realizes that it cannot, in the nature of things, have a very intimate knowledge of the precise situation in the various states and localities throughout the country. But in so far as it's information and observation go, it is clear that there is a growing appreciation on the part of lawyers as to the manner in which trust companies serve them and their clients, and this has contributed to a substantial increase during the year in the spirit of cooperation, and the establishment of mutually helpful relations between the legal profession and trust companies. Aside from any selfish advantage to either trust companies or lawyers, it is right that they should work together, because in so doing, both of them can best serve the public, and that is of vastly greater moment.

Trust Company Division Committee Reports

Protective Laws

By NATHAN D. PRINCE

Vice-President Hartford-Connecticut Trust Company

ELEVEN state legislatures held regular sessions during the present year in the following states: Kentucky, Maryland, Massachusetts, Mississippi, New Jersey, New York, Rhode Island, South Carolina, Virginia, Georgia, Louisiana.

Arizona—The Legislature held a special session which was marked by the passage of a complete banking code in place of the prior inadequate banking laws. A summary of this code has already been issued by the Committee on State Legislation of the American Bankers Association, giving a brief description of all important clauses.

Kentucky—At the session of the Kentucky Legislature in February a number of bills hostile to banks and trust companies were introduced. They were, however, all killed in the committee with the exception of one which was afterward vetoed by the Governor.

Maryland—A bill was passed and vetoed, which imposed certain restrictions upon the establishment of branch banks and trust companies. This bill also gave the Bank Commissioner power to grant to any bank applying therefor, the right to exercise the same powers and privileges as those conferred by law on trust companies.

Massachusetts—Bills were passed during the session of the Massachusetts Legislature relative to proceedings against trust companies in case of insufficient reserves; time in which a trust company shall organize and commence business; charters of companies; prohibition of a company from making loans on shares of its own capital stock; bonding of officers and employees of trust companies; granting of certificates permitting trust companies to commence business; subjecting interdepartmental transfers of assets by trust companies to the supervision of the Commissioner of Banks; real estate held for banking pur-

poses by trust companies; requiring of a weekly statement of the daily reserve of trust companies.

A bill dealing with the establishment of branch offices of trust companies and another regarding attorneys representing trust companies to file fee with bank commissioner were held over to the next annual session of the Massachusetts Senate in 1923.

New York—More than two hundred bills directly or indirectly affecting trust companies were introduced in the New York Legislature. The report furnished to us does not state in most cases whether or not these bills have been enacted into law, but this can of course be easily ascertained. A few of the more important bills are outlined below.

Inserting new article in the tax law placing a flat tax on unincorporated businesses. This is to meet the objection raised that there are large sums of money in competition with the banks and trust companies paying no tax for doing business.

Authorizing trust companies and savings banks to invest in federal farm loans.

Then there are the bills from the special committee appointed to investigate the New York Corporation Laws. All of these bills are very important pieces of legislation and must have consideration by trust companies because they have to do with the clientele in one form or another.

Comment is also made on the following bills:

Amending the Decedent Estate Law, extending to individual fiduciaries the same privileges now held by trust companies in relation to trust funds. Killed.

Amending the Decedent Estate Law, providing for recording of certified copy of any resolution and declaration of trust adopted by directors of a trust company or financial institution.

Providing that the Stock Corporation Law relative to issuance of preferred and common stock shall not apply to domestic corporations organized under banking law. Passed.

Providing that no trust company or

banking institution except savings banks shall receive money for deposit in accounts on which interest is calculated. Killed.

Rhode Island—Our State Vice-President for Rhode Island reports that there were very few bills presented this year; none affecting trust companies, either favorably or unfavorably. Practically all of the session was spent in what he alludes to as a beautiful squabble over a judgeship bill.

Virginia—There were no bills introduced in the state legislature that would affect the trust companies adversely.

As no word has been received in response to an inquiry from our State Vice-Presidents for Louisiana, Georgia, South Carolina, Mississippi and New Jersey, it is assumed that no bills of vital interest to trust companies were introduced in these states.

Staff Relations

By P. E. HATHAWAY, Chairman

The Committee on Staff Relations appointed by you in May of last year commenced its work by the issuance, through Mr. Mershon's office, of a questionnaire which related very closely to matters affecting the personnel of all trust companies in general. The response has been very gratifying—about 750 answers have been received, and many letters accompanied the answers, expressing an interest in this subject, and asking for specific information on certain points and assistance in solving personnel problems. In a number of answers the opinion was frankly expressed that whilst the banker felt the need of better training and closer supervision of employees he was in doubt as to the best methods to pursue to attain this end.

A summary of the replies to the questionnaire showed the following points of most outstanding interest:

78 per cent. had no personnel department or any one specially trained in the selection of new employees.

77 per cent. had given no thought to the employment of young men with college education.

59 per cent. had no methods of studying their staff by which an employee might be used in a position for which he was best fitted.

47 per cent. had used no special care in selecting men of the highest adaptability for meeting customers at the counters and tellers' windows.

The fact that 82 per cent. of the trust officers answering the questionnaire felt that customers generally were expecting much more in the way of service than in the previous years would seem to show from a reading of the figures above that the trust officers to a great extent are now preparing and training their employees to fill the increasing demands of their clients.

Your committee feels very much encouraged over both the quality and number of the replies received as they betoken interest in the work it has undertaken beyond its expectations.

Your committee would recommend that it be allowed to increase its number by the establishment of sectional subcommittees, which would commence their work by the distribution among those banks in their districts which had answered the original questionnaire, of another series of questions going farther into the subject. It is felt that if this is done systematically and fully that a booklet containing the questions, answers and recommendations of your committee on each point brought up would undoubtedly be of great value to the trust companies of the country.

Community Trusts

By FRANK J. PARSONS, Chairman

The formation of a Committee on Community Trusts has been amply justified during the year that has passed. Your chairman has received and answered a large number of letters from trust company and banking interests contemplating the formation of community trusts, as well as from existing trusts or foundations, and in this manner the committee has been able to be of considerable assistance in carrying on the movement as a whole and in wisely directing its activities. Among the larger cities contemplating the formation of a trust at the present time is Kansas City, and it is interesting to note in this connection that they plan to utilize the multiple trustee idea.

At the request of the Chicago Community Trust, your chairman, in January, attended a meeting of representative bankers in that city, with a view to assisting in broadening out the plan and purposes of the Chicago Community Trust.

Through the courtesy of Dr. John H. Finley of the editorial staff of the *New York Times*, favorable publicity and editorial comment on the situation as a whole were secured in the issue of July 4.

The committee, by means of a questionnaire, has secured definite information concerning the existing trusts throughout the country, which is available upon request. The work of collecting informa-

tion respecting cases of obsolescence in charitable gifts is progressing slowly, and it is hoped that during the coming year more progress may be made.

In general it may be said that the Community Trust movement is on a sound basis, with slow but substantial progress being made in all of the cities where it is being seriously developed. The fact that the adoption of the plan carries with it certain responsibilities and obligations, as well as opportunities for profit, is now thoroughly understood, the more active trusts have demonstrated that the unfavorable developments feared by some of the opponents of the plan have not materialized and gifts and bequests are being secured in direct relation to the knowledge, enthusiasm and energy of the various trustees.

Last-minute advices from the Fletcher Savings and Trust Company, one of the trustees of the Indianapolis Foundation, to the effect that three cash gifts aggregating over \$2,000,000 will shortly be available for the work of the Indianapolis Foundation, is very gratifying.

Legislation

By HENRY M. CAMPBELL, Chairman

At the spring meeting of the Division at White Sulphur Springs I called attention to two bills which were then pending in Congress, imposing taxes upon gifts. These bills were in the hands of the Ways and Means Committee. Nothing further was done with them, and the subject may be considered as dropped for the present.

During the session of Congress which has just closed several other propositions,

mostly relating to taxation, were introduced, such as the La Follette-Frear Bill, which sought to impose a tax of 50 per cent. of the net estate in excess of \$30,000,000 and the proposal of Senator Ladd to impose a bonus to be paid to the soldiers by taxing banks, banking interests, trust companies and partnerships to the extent of 60 per cent. of their profits. All of these propositions failed to materialize, and, generally speaking, the attitude of the committee has been one of watchful waiting.

The bills which have recently been introduced in Congress relative to the maintaining of branches by national banks, and which have been fully considered by the National Bank Division and by the general convention, might affect trust companies organized under state laws which are members of the Federal Reserve System. If all members of the Federal Reserve System should be prohibited from maintaining branches many of the trust companies would be faced with the alternative of either surrendering their membership in the Federal Reserve System or giving up their branches—a most unfortunate and unnecessary situation. When the bills are up for consideration at the next session the Legislative Committee will do what it can to defeat such unreasonable legislation, and I hope that the members of the Trust Company Division will bring such influence to bear upon their Senators and Representatives as will prevent the imposition of restraints upon trust companies, the only effect of which would be to hamper and embarrass them in the transaction of their legitimate business, as well as to cause the public great and unnecessary inconvenience.

Report of Vice-President

By THEODORE G. SMITH

Custom has decreed that your vice-president shall preside at the Midwinter Conference, and it was with some misgivings that we undertook to introduce for discussion at the last Midwinter Conference a variety of "problems" encountered by trust company officials throughout the country in the conduct of their daily work. This experiment proved to be a pronounced success and many expressions of commendation and testimony of helpfulness were received from those in attendance. A few of the extracts contained in letters received read as follows:

"Just a line to tell you what a splendid meeting I thought the one on February 16 was. I feel that this institution picked up quite a lot of good material for consideration."

"We have an educational course for the employees of this company. The answers to the first four or five questions that were asked at the morning session of the recent Trust Companies' Conference could very well be worked into an address that would be very helpful to our force."

"I have been intending to write you a letter and lift my hat in congratulation upon that recent meeting in the Waldorf. That was, undoubtedly, the most profitable meeting of the trust companies at which I have ever been present, and I have already begun to look forward to the meeting a year hence where it is my intention to bring along several gentlemen from our trust department. When you send out your questionnaires next year I hope

to send in a question or two that I trust will be of interest to hear discussed."

"One of our vice-presidents told me something about these inquiries, stating that they proved most successful, and that a very interesting program was arranged in this manner."

"This conference was the first one I have attended, and I want to express my enjoyment in being there and of the many good suggestions I heard from the several speakers. It certainly does one good to rub shoulders with a fellow worker who has the same problems to face that we meet in our own office, and in exchanging views learn of many good points to be used advantageously."

Following the conference several members inquired regarding the preparation and conduct of such a meeting, as they desired to hold similar meetings in their own states or cities. It is hoped that this plan will be further developed at future meetings.

At the meeting of your Executive Committee, held in New York on February 17, your vice-president was authorized and requested to appoint a committee of five, with himself as chairman, for the purpose of securing a new form of entertainment at the twelfth annual banquet to be held in New York on February 15, 1923. The following gentlemen were invited and accepted the invitation to serve upon this committee:

Uzal H. McCarter, president Fidelity-Union Trust Company, Newark, N. J.;

John W. Platten, president U. S. Mortgage and Trust Company, New York City; Francis H. Sisson, vice-president Guaranty Trust Company, New York City; Edwin P. Maynard, president Brooklyn Trust Company, Brooklyn.

Frequent conferences have been held throughout the year with the Secretary and members of the Executive Committee, and considerable correspondence has been conducted upon various phases of the work carried on by the different officers and committees.

PRESIDENT HOUSE: Are there any subjects which any of the members would like to discuss from the floor?

PRESIDENT HOUSE: We shall proceed to the election of officers. I will call for the nomination for the office of president.

MR. DINKINS (Louisiana) nominated for president of the Trust Company Division Theodore G. Smith of the Central Union Trust Company of New York City and he was unanimously elected.

PRESIDENT HOUSE: Mr. Smith, you have served this Division well. You have been identified with its work for the last eight or ten years and there is no one better qualified to fill this position than you.

PRESIDENT SMITH: I very sincerely appreciate the honor that has been conferred upon me and assure you that I shall most heartily endeavor to merit the confidence that has been placed in me. The duty of president naturally carries with it grave responsibilities. I know they are increasing each and every year and yet we have a happy situation in our Trust Division as the officers always receive most helpful service from each State Vice-President and every member of the several committees. I will refrain from alluding to the magnificent work that has been accomplished during the past year by our various committees, as that is set forth in their reports, but I think we may properly keep in mind the growth of the trust company movement in the United States as has been reported this afternoon. Our total resources are over twelve billions of dollars, which represents 25 per cent. of the banking strength of the United States, and as a division of the American Bankers Association we can feel very proud of this strong position. I have been impressed during this convention with the thoughts of the speakers who have been discussing the phases of our foreign and domestic

problems and it occurs to me that all of us may carry away much material for very sincere reflection and meditation. Obviously something must be done; some big constructive plan must be conceived and not in the far and distant future, but it must be done soon and the execution of such a plan will, in a large measure, be entrusted to men like you.

MR. DINKINS (Louisiana) nominated for vice-president of the Division Evans Woollen, president of the Fletcher Savings and Trust Company of Indianapolis, Ind., and he was unanimously elected.

Upon the report of U. H. McCarter, chairman of the Nominating Committee, the following were elected members of the Executive Committee of the Trust Company Division, to serve during the three-year term ending in 1925: Frank W. Blair, president Union Trust Company, Detroit, Mich.; Edward J. Fox, president Easton Trust Company, Easton, Pa.; William S. Miller, vice-president the Northern Trust Company, Chicago; Gilbert T. Stephenson, vice-president Wachovia Bank and Trust Company, Raleigh, N. C.; T. H. West, Jr., president Rhode Island Hospital Trust Company, Providence, R. I.

American Institute of Banking Alumni Dinner

On Thursday evening, October 5, the annual dinner of the National Alumni Association of the American Institute of Banking was held in the Grill Room of the Commodore. Robert B. Locke, president of the Alumni Association, presided. Fred I. Kent, the first national president of the Institute, was the speaker of the evening, and his address on the early days of the Institute was delightful.

The outstanding feature of the dinner was the presence of John H. Puelicher, the President-elect of the American Bankers Association. When he entered the room he received an ovation. The fact that Mr. Puelicher was the first graduate of the Institute to be elected to the highest office in the American Bankers Association was reason enough for the celebration.

Mr. Puelicher stated that his heart was still in the work of the A. I. B. and that he always expected to maintain his interest. He spoke for a few minutes on the educational campaign among the people being conducted by the Committee on Public Education of the American Bankers Association, and he urged that those present support that important work. From the applause and cheers which followed Mr. Puelicher's talk there was no doubt that the cooperation of the older men of the Institute would be forthcoming.

President Locke reminded those present that another graduate of the Institute had been honored by the American Bankers Association and he then appropriately referred to the election of William E. Knox as Second Vice-President.

At the guest table were a number of former presidents of the Institute: Fred I. Kent, Alfred Barrett, Newton D. Alling, Raymond B. Cox, Robert H. Bean, E. G. McWilliam, Robert B. Locke, and the present president and vice-president of

the Institute, Carter E. Talman of Richmond and Clarence R. Chaney of Minneapolis. President Talman outlined the program of the Institute for the coming year.

"Uncle George" Allen was called upon and he refreshed the recollections of the

Institute veterans present by recounting experiences of the early days.

The dinner was arranged by a committee from the New York Chapter Alumni Association, of which William M. Rosendale was chairman and George A. Gehrkens secretary.

Official Notice

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, OF THE JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, published monthly at New York, N. Y., for October 1, 1922.

State of New York, county of New York, ss. Before me, a Notary Public, in and for the State and county aforesaid, personally appeared James E. Clark, who, having been duly sworn according to law, deposes and says that he is the editor and business manager of the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, F. N. Shepherd, 5 Nassau Street, New York, N. Y.; editor, James E. Clark, 5 Nassau Street, New York, N. Y.; managing editor, none; business manager, James E. Clark, 5 Nassau Street, New York, N. Y.

2. That the owners are: (Give names and addresses of individual owners, or, if a corporation, give its name and the names and addresses of stockholders owning or holding 1 per cent. or more of the total amount of stock): The American Bankers Association, 5 Nassau Street, New York, N. Y. (A voluntary, unincorporated association of 22,778 banks; Thomas B. McAdams, Merchants National Bank, Richmond, Va., president, and F. N. Shepherd, 5 Nassau Street, New York, N. Y., executive manager.)

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent. or more of total amount of bonds, mortgages, or other securities are: None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

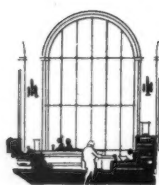
5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is— (This information is required from daily publications only.)

(Signature of editor, publisher, business manager, or owner.)

JAMES E. CLARK,

Sworn to and subscribed before me this 16th day of September, 1922.
MARION W. DE ROUVILLE, Notary Public, New York County, Bronx County Clerk's No. 23; Bronx County Register's No. 132; New York County Clerk's No. 272; New York County Register's No. 4269. Certificate filed Westchester County Clerk; certificate filed Westchester County Register.

(Appointment expires March 30, 1924.) [SEAL.]



NATIONAL BANK DIVISION



Resources Increased \$500,000,000 Since May

THE seventh annual convention of the National Bank Division held in the main ballroom of the Commodore Hotel in New York City, October 4, marked the close of one of the most successful years in the history of the Division. It fittingly commemorated the accomplishments achieved by the Division through the constant efforts of its officers and members alike. The convention was called to order by President John G. Lonsdale, president of the National Bank of Commerce, St. Louis, Mo., who announced the appointment of these committees:

Committee on Resolutions—J. W. Barton, chairman, vice-president, Metropolitan National Bank, Minneapolis, Minn.; Alexander Dunbar, vice-president, The Bank of Pittsburgh, Pittsburgh, Pa.; John Poole, president Federal National Bank, Washington, D. C.

Committee on Nominations—John W. Wadden, chairman, president Sioux Falls National Bank, Sioux Falls, South Dakota; E. H. Sensenich, vice-president Northwestern National Bank, Portland, Ore.; T. J. Hartman, president Producers National Bank, Tulsa, Okla.

Address of the President

By JOHN G. LONSDALE

President National Bank of Commerce, St. Louis

IN calling to order this annual session of the Division, it is my pleasure to state that the year 1922 shows national banks continuing onward in their healthful development. On June 30th of this year the combined resources of national banks amounted to over \$20,700,000,000—\$500,000,000 above the statement of May of this year.

Every energy of this Division should be directed in the future, as in the past, to the fostering of constant and constructive expansion by every fair and helpful means. Ours should be an eternal vigilance, not only for equal banking opportunity for our own class of institutions, but for the advancement of banking in this nation in every safe fashion.

The banker has an increasingly responsible position to hold. Things have changed in a decade. The pre-war banker, turned Rip Van Winkle, would come back today an obsolete character in many ways, a stranger to the multitude of new practices and terms that have originated with and since the war.

Today we have cast aside the accumulated mysticisms of the past, and the public knows and appreciates the banking profession, not as dealers in negative

replies, purveyors of bad news, but as one of the most interested and constructive forces in every community. Bankers, essaying no longer habitual timidity, are assuming their rightful positions in civic and national affairs for which their experience so well qualifies them.

Has the banker or his business suffered from this popularizing process? Decidedly not! His prestige is at par; his worth a growing asset to his community, and his business has grown apace with this better understanding.

Sound banking has been the guiding beacon of the past year's progress out of the wilderness and up the favorable side of business. With the passing of a period of extreme credit contraction there are succeeding problems requiring caution and the sanest thought. Banking expansion is in prospect. How rapidly this is undertaken to avoid a period of secondary inflation will be due to the real safety measures that only the individual banker can effectively apply.

In the vital work of readjustment the Federal Reserve System has supplied the needed unity to our independent banking system. Through its functioning, the banking power of the country has been doubled and in thus exercising the full force of our financial strength in behalf of the nation it has proved a real business savior. It has placed the soundness of our currency beyond question, and given stability and certainty to the conduct of business.

Because it serves for the benefit of all, the support of the Federal Reserve System should be unanimous; its membership should include every bank and trust company eligible under the law.

This supervision is of the highest order and the rightful type of Federal interest in business. But increasing governmental competition with legitimate enterprises is not only basically wrong, but unfair and retarding to the exercise of private business ingenuity, in which our commercial greatness has its origin.

Paternalism is stifling to native ability. There is no longer justification for the nurturing of Washington agencies which came into being as war emergencies. Business at this particular time needs every form of encouragement, and competition, sustained or subsidized by the already too burdensome public tax, is doubly retarding.

Governmental interest could be indicated by a systematic study of needs, adjusting of obsolete laws to the new standards of the day, and enabling American industry through vast, uniform production to successfully compete in the market places of the world.

More and more we are coming to realize that there can be no full measure

of prosperity in this country with Europe out of step, with every great continental nation—excepting possibly one—spending from two to three times as much as its total annual revenue, and with suffering and economic chaos general.

It is natural that we should view the international situation with concern, because the establishment of order and resumption of trade on the continent must precede the peak of our own affluent times.

However provincial we might have been before the late conflict, the wider vision gained in that experience, the very necessity of our participation, has taught the inter-dependency of nations. Conceding the claims of those who hold that this hemisphere or this continent is economically self-sufficient, it is also true that trade relations for over a century have been based upon an interchange with Europe and to rearrange this would disrupt industry for a decade or more. When we realize that a foreign market virtually influences, if not actually fixes, the price of two big staple crops—wheat and cotton—our trade dependency is apparent.

We are entering a great mercantile era that has no counterpart since the first Phoenicians ventured forth to expand their home land through maritime commerce. In this commercial contest of nations, the United States has almost every natural advantage to trade supremacy, including the diplomatic position of being the creditor nation.

Increased production here, as well as in Europe, is the only road to improvement, a course impossible with a decadent Europe. War debts and reparation settlements, domestic production, the substance of all things hoped for, are but phases of a universal cycle of trade. None is possible without a growing resumption of commercial intercourse, and yet all are deferred, retarded, because of the stalemate in European affairs.

Isolation as a patriotic fetish has its commendable aspects, but from an economic standpoint, aside from all politics of the situation, it is impossible. These United States cannot fully function, or reap the ultimate rich reward of restoration, in the role of an onlooker.

Every attempt at adjustment so far has met with minor success, the increasing turmoil abroad, the uncertainty that holds the entire world in suspense augments instead of subsides. Statesmen plan, diplomats parry, luminaries discuss and counsellors investigate to little avail, while the conflagration of discord grows apace.

Governmental circumvention of the past seems checkmated. Why not give that ever-resourceful, never-found-want-

ing element of hard-headed business statesmanship an inning? Over here when we go broke, the first formality, at least, is a creditors' meeting. That's a common-sense procedure now. Every factor concerned—finance, commerce, shipping—is essentially a business one. Bring into play the ingenuity of business minds on this situation for, once gathered around the conference table, they could be expected to make progress where little heretofore has been made.

We are told that the President of this nation has recently indicated that the time is approaching when America could more fully participate in the resuscita-

tion of Europe. Is not now the propitious time for this, the great American Bankers Association, to not only serve the best interests of this country, but of the world, in extending its good offices to the government in bringing about in conference an interchange of information and data on the principal subject of betterment—"International Credit Financing." America, with her broad freedom from malice, is generally recognized as the only nation with moral persuasion necessary to effect such an understanding. The mere congregating of world financial minds would give direction and stability to the present uncertain situation.

PRESIDENT LONSDALE: It is a difficult thing to look into the seeds of time and predict which ones will mature to full fruition and which ones will fail to germinate. We are fortunate, however, in having with us this afternoon a gentleman whose position in American finance and service to business qualifies him to look into the affairs of today and safely and ably tell of tomorrow. It is a great privilege to present James S. Alexander, president of the National Bank of Commerce, New York, who will address us on the subject, "The Future of American Business."

The Future of American Business

By JAMES S. ALEXANDER

President National Bank of Commerce in New York

THIS is the fourth annual meeting of the American Bankers Association that has assembled since the close of the Great War. At the time of the first meeting we had entered upon perhaps the most extraordinary and abnormal period of business activity in American history. When the second meeting took place the crisis was already upon us. At the time of the third meeting, namely, that of a year ago, although we believed that we had passed the worst aspects of the depression, there were still many maladjustments to be corrected. Since then some very marked changes have taken place in our domestic business situation and we now have, for the first time since the war, a condition of affairs that gives us some substantial basis for a consideration of what may be called the normal trend of American business in the future.

New Factors to Consider

When I refer to the normal trend of business, however, I do not mean to suggest the precise condition of industry that prevailed before the war. We have many new factors to consider, some of which are favorable and some of which are not. We have a banking system that is much superior to our pre-war system; and we occupy relatively a much more favorable position in the world's capital market. On the other hand, we are to carry on business under a load of taxation that in our pre-war days would have appeared unbearable. There are other factors, some of which perhaps have both favorable and unfavorable bearings, such as the existence of our great public debt, the influence of treasury financing upon the money market, the possession of nearly one-half of the world's stock of monetary gold, many new aspects in the relation between labor and capital, and, by no means the least in importance, the removal from the world's market, perhaps for many years to come, of the buying capacity of many millions of people.

These factors must have a very great bearing upon the future of American business, and it may be that not within a considerable number of years will business return to the same relative conditions that prevailed before the war. We shall probably work into an industrial and trade position that may be called our new normal. Whether that new normal will be represented by a volume of business relatively less than our pre-war volume (after, of course, allowing for growth of population), or whether it will be represented by the same or indeed by a relatively greater volume, will, I believe, depend upon whether we shall broaden our outlook commensurately with the size of the great problems and the great opportunities before us.

However that may be, I believe that the facts of the situation, although exceedingly complex, are now more definitely before us than at any time since the close of the war, and we are in a position to take a long view to the future.

While there are many factors that would have to be weighed in any complete appraisal of the present situation, I must limit myself to a consideration of the three factors that throw most light upon our present outlook. These are:

1. The readjustment that has recently taken place in our domestic financial conditions and in the volume of internal business transactions.
2. The labor situation.
3. The condition of affairs across the water.

Let us look at each of these factors in turn.

Evidences of Improvement

For many months we have been watching every evidence of changing financial and business conditions with great care, and month by month the experts in many branches of industry and finance have been reporting the evidences of improving conditions. The larger facts contained in

these reports may be summarized as follows:

From the financial point of view the credit stringency has passed and frozen loans to an important extent have been thawed out. Interbank accommodation among Federal Reserve Banks, which stood at 267 millions on October 22, 1920, declined to nil in December, 1921. The amount of Federal Reserve notes has been substantially reduced. From about three and one-third billion dollars in December, 1920, the aggregate amount of notes in actual circulation had been reduced to a little over two billions in the early part of September, 1922, a decrease of 35 per cent. The Federal Reserve ratio is now above 78 per cent., whereas in May, 1920, it was below 43 per cent.

For more than a year and a half up to quite recently, interest rates were declining. From the abnormal interest rates prevailing for some time after the culmination of the crisis, rates fell until they attained comparatively low levels. The renewal rates for call loans, which ranged from 6 to 10 per cent. less than two years ago, have ranged within the last few months from 2¾ to 5 per cent. At the former date, also, sixty-day time loans were made at 7 to 8 per cent., as compared with 3¾ to 4¾ during August, 1922.

Security Market

In the security market there has been a more or less steady rise in the prices of stocks and bonds since June, 1921, movements which have been accompanied by a large increase in the volume of trading. In one list of forty bonds, the price advance has been about 25 per cent., and in a list of forty stocks the price advance has been about 50 per cent.

In the field of commodity prices the general level of wholesale prices, while still uncertain, has become decidedly less unstable and the maladjustments existent at the culmination of the price rise in May, 1920, and at the end of the price

decline in May, 1921, have now been in important part corrected. Of importance in this connection is the situation with regard to the prices of farm products. Although the price of wheat and some other agricultural prices are lower than a year ago, the price level with regard to agricultural products as a whole shows a substantial improvement, as compared with a year ago. An especially noteworthy improvement is seen in the prices of metals.

Growth in Volume of Business

With regard to the general volume of business, although the coal and rail strikes have tended to reduce car-loadings, there has been reported a gain in the loadings of merchandise and miscellaneous freight, and in the total car loadings, over the corresponding period of a year ago. Employment has increased, and, in isolated lines, there has been reported an actual shortage of experienced men. The indices for the general volume of business indicate a rise from 25 per cent. below normal in July, 1921, to about 10 per cent. below normal in July, 1922. This growth in the volume of business has also been reflected in an increased volume of bank clearings during the first six months of this year.

In special industries particular activity has been noted. In steel, the output of ingots increased markedly during the first six months of this year, and the unfilled orders of the United States Steel Corporation, at the end of August, amounted to nearly six million tons as compared to about four million tons in February, 1922, the low point. Railway net earnings have shown some increases, especially during the first half of this year; and improved earnings have been noted in numerous industrial lines. Throughout this same period, the automobile industry has enjoyed marked activity. There has been a building revival—one of the most noteworthy in our history—especially with regard to residences and public construction. As a consequence, the condition of the building material industries, especially the cement industry and the lumber industry, has been favorable.

Several other factors have contributed to comparatively optimistic indications. The forecast of good crops has been in most cases justified and finally, notwithstanding labor difficulties, there has been noted a development of confidence in numerous quarters in the course of recent months.

Justifiable Conclusions

These then are the facts that have been gathered by many investigators in the various branches of industry and finance, and that have been set forth as the leading indications of the trend of business toward a better level. On the basis of these facts just what are we in all due caution justified in concluding?

In the first place, the financial situation which some time ago was causing no little concern has unquestionably cleared. In general, banking conditions in this country are excellent, and we have every reason to believe that whatever sound business may be developed in the future

can be properly financed. This clearly presents sound reason for optimism.

In the second place, the extreme price dislocations which up to very recently obtained in some branches of industry have, to an important extent, disappeared. We still face uncertainties concerning the future of the general price level, and until we know more about the final effects of our huge gold supply, the final effect of erratic European competition and the trend of specific wage levels, we cannot feel complete confidence with regard to general price movements, or indeed with regard to some special price movements. Nevertheless, we are justified in saying that the price situation offers hope for business improvement.

Other Improvements

In the third place, the volume of business, which, according to one of our best estimates, usually drops less than 20 per cent. below normal in business depressions, but which dropped to 25 per cent. in the recent depression, has now gradually increased until at present it is only 10 per cent. below normal. Here again we are upon substantial ground.

In the fourth place, there has occurred a considerable readjustment for the better in the great basic industry of America, namely, agriculture. It is true that the prices of some products are very far from satisfactory, and that because of the foreign situation there exists uncertainty as to the outlook for some of our farmers. The position of agriculture, as a whole, however, has undoubtedly improved over that of a year ago.

Maladjustments

And lastly, many maladjustments due to the war or the immediate post-armistice period have already been corrected. The large stocks of special types of goods that recently caused stagnation in the markets have been largely distributed or consumed, and the disproportionate development in our capital equipment is being steadily corrected.

In short, we have made much real progress in recent months, and in many ways we are in a position to handle a much larger volume of business.

Having recognized these facts, however, we are still left with the question: what sure indications have we of a further advance? In reply to this question, our attention has frequently been called to several striking developments in special branches of business, such as the very active stock market, the large turnover in the automobile industry and the extraordinary activity in building and other construction, which in turn has brought an abundance of business to the lumber, cement and other allied industries.

These activities have, without doubt, contributed very much to the present improved condition and for the most part they have represented sound business and financial development. As barometers of future business conditions, however, some of them ought not to be interpreted in just the same way as we have been accustomed to interpret similar activities

when recovering from former depressions. While the present activities are caused in part by the same factors of progress that have stimulated similar activities on previous occasions, in no small part they are caused by extraordinary and temporary factors that cannot with confidence be said to reflect general prosperity in proportion to the volume of activity. While all of the present forms of unusual activity cannot be interpreted in the same way, it is possible to indicate the difference between normal and abnormal activity by reference to one industry, namely construction.

Significance of Building Construction

During recent months we have been witnessing one of the most marked periods of activity in construction in our history. An activity of similar volume in normal times would be rightly interpreted as an indication of a considerable prosperity. It would probably mean the extension of the plants of industrial companies in response to, or in anticipation of, a marked advance in the demand for their products in excess of present capacity; preparation for increased transportation facilities to carry the increased volume of business; enlarged warehouse and other business capacity; and finally it would mean new residential construction made possible, in part at least, by new earnings or reasonably anticipated increases in earnings. In short, it would indicate for the most part an expansion relatively beyond our earlier development. The construction activities of today are no doubt in some part stimulated by these so-called normal factors of growth. To an important extent, however, they are a reflex from the unusual conditions of under-construction left by the war and post-armistice period.

Just how much this activity is the result of municipal and other public work rendered imperative by the void left by cessation of normal building during the war, and just how much it is stimulated by the tax-exemption of municipal and state securities, it is impossible to say. It is also impossible to know just how much of it is stimulated by the foresight of business men who are preparing for enlarged business in the future, and just how much of it, on the other hand, represents nothing more than an extraordinary effort to make good the housing and other construction shortage left by the war. It is clear, however, that a sufficient number of unusual factors enter into the present building boom to caution us against attributing to it the usual significance in times of ordinary business recovery.

Exercise Due Caution

Before we can with full confidence interpret unusual activities as sure indications of returning prosperity, we must find such activities springing principally from the general demand for increased productive capacity and not largely from the urgent demand of absolute necessity caused by previously retarded growth in normal lines of industry. Of course, an extraordinary construction activity,

whether it springs from destruction by war, flood or fire, or from delayed industry due to war, may be a very wholesome sign. It helps to correct the maladjustment and to fill in the unfortunate gaps in our equipment. The activity, however, springs from a past loss—not from a new gain.

While, as I pointed out a moment ago, no two of these examples of extraordinary activity recently developed can be interpreted in the same way, it is to be noted that back of most of them are to be found factors of such extraordinary or temporary character that in part at least differentiate them from apparently similar activities in normal times.

Until we know more about the final effects of these extraordinary activities, I believe that we are justified in exercising due caution against reading into them a meaning that may not be there.

Improved Outlook

Properly interpreted, however, these examples of extraordinary activity do point to better conditions. In addition to these special factors there are numerous other indications of a very considerable activity that do suggest a readjustment more nearly to normal capital relations and in many cases to a more or less steady improvement in the volume of business. In looking over the whole field of domestic activity, therefore, I believe that we are justified in saying that the outlook for business is clearly for the better.

To recognize that fundamental conditions are right for a considerable further recovery, and to say that we are well on the way to something approaching a normal volume of business is not quite the same as saying that we are assured of a speedy return to one of our pre-war periods of prosperity. It is this second question, I take it, that is of most interest to all of us. Into it, however, enter many special factors, the most important of which are the outlook for the labor situation and the condition of affairs across the water.

Labor and Strikes

The immediate effect of the coal, railroad and other strikes undoubtedly has been to present serious obstacles to current business development and the most serious consequences of them are perhaps yet to be met. It would be a mistake to underestimate the evils of these difficulties. However, the aspect of the labor problem that appeals to me as of greatest significance is the question as to how much more labor difficulty we must face before we can finally settle down to complete recovery.

Industrial Unrest Abroad

The present labor difficulties are in large part the result of the effort of industry to readjust itself in the face of the many complicating factors arising from the war, the post-armistice boom and the depression. In these difficulties we are not alone. Since the war such problems have had to be met in every great indus-

trial country. Indeed, industrial unrest has caused such great concern in some countries as seriously to raise the question in the minds of industrial leaders and bankers whether those countries could hope in the future to compete in world trade as effectively as before the war. In this respect England has probably suffered more than any other country and there appears no doubt that much of her present difficulty is quite as much due to her recent unfortunate labor problem as to other extraordinary conditions left by the war.

But England appears, for the present at least, to have solved part of her most serious labor difficulties. At very great cost, to be sure, both to English industries and to the laborers themselves, the latter at last have learned that the industrial efficiency necessary to England's recovery of her previous position in world trade cannot be maintained in the face of constant labor difficulties.

In this connection the question arises whether we shall also have to go through such a costly series of labor difficulties before we can settle down to real recovery. There is much evidence that many laborers do not yet understand the conditions necessary to a return to a more nearly normal business development.

Growing Pains of Industry

I would not wish to suggest that complete industrial peace is essential to our prosperity. We have had strikes and lockouts ever since this country became a great industrial nation. At times we have had very serious labor difficulties and yet for the most part we have prospered. A certain amount of labor controversy and readjustment is apparently inevitable. It may be considered perhaps as the growing pains of the industrial world.

Special Wage Problems

But these more or less chronic and for the most part relatively less important difficulties are not what I have in mind. I refer to the extraordinary problems arising from the belief of certain laboring groups that they can permanently exact from the community something approaching the unusual wages rendered possible by the confusion of wartime and the immediate post-armistice conditions.

We now know that the feverish activity of the post-armistice period was abnormal. It brought huge profits to some enterprises and speculators and extraordinary wages to many laborers. These wages and profits were possible largely because of the crying needs of European countries following the war, and because of the confusion in this country during the same period. But in many ways this activity was not a healthy condition for business and it is to be doubted whether in the main it brought permanent benefit either to the employers or to the employees. In any case, that time is gone and there is no chance of its returning. As a permanent policy it is impossible to pay such extraordinary wages unless labor efficiency is to be increased correspondingly.

We have had some important wage readjustments, but there must be further readjustments before the wages of some can bear a more nearly normal relation to the quantity and quality of the service rendered. Wage earners cannot permanently receive more than they produce and all temporarily successful attempts to gain excessive wages serve only to deprive other workers in the community (through the means of high prices) of part of their justly earned income.

But the present labor problem is by no means one-sided. It is equally disastrous to the community for employers to take advantage of the slack business periods to reduce the wages and working conditions below those justified by the condition of the industry. There is much readjustment still to be made in the labor situation and I think that we must admit that the outlook for our domestic business prosperity will depend in no small degree upon the breadth of view with which both employers and employees face the coming and necessary readjustments.

The labor situation, however, is right at our door and we have the dire significance of its continuation borne in upon us daily. Our chances of giving this question the earnest attention which it deserves are much greater than the chances that we shall give adequate attention to other great questions which, although no less serious in their bearings upon our future trade, appear more remote and less direct. I shall turn, therefore, for a moment, to some of these indirect factors, namely, those arising in connection with the European situation.

Need of World-Wide Economic Policy

Gentlemen, the time has passed when any one looking to the future of the business of America can ignore the rest of the world. I know that there are those who advocate restricting our attention very largely to our own affairs, and who believe that the future prosperity of America is largely locked up in our own domestic trade. The home market argument, advanced one hundred years ago, may have had much to support it at that time. Even then, however, it was the subject of much debate. But conditions have changed since the year 1820.

For many years before the war the whole trend of American business had been away from the development of a self-sufficient state. The developments of the war and the changed economic and financial status of other great industrial and capitalistic nations, have added tremendous impetus to a movement that has extended our lines of economic activity farther and farther into other countries. To my mind this movement has now been carried so far as to leave the importance of a worldwide economic policy no longer a debatable question.

Must Assume Responsibility

But when I mention our dependence upon the rest of the world I do not refer only to the volume of our export trade. To be sure, the volume of that trade is a matter of great concern to us. It must increase; and I hope we are going to

take the steps that will cause it to increase. Any view of our foreign economic relations that would attempt to appraise their importance solely in terms of the volume of that trade, however, must be singularly lacking in a comprehension of the many important foreign factors entering into our own business welfare.

As an outgrowth of the war we have been lifted into a dominating position in the world's capital relations. This change, in itself, is bound to bring a corresponding change in many of the trade currents that follow capital movements. The change has thrown upon us a responsibility that we cannot evade whether we wish to or not. Moreover, this change must powerfully react upon our domestic business conditions and upon our important economic policies. Wherever we turn in our examination of the elements that make for business stability or instability in our own domestic affairs, whether it be that of the capital supply, the gold or currency questions, the future of price levels, or the future of trade restrictions at home or in other countries, we find new economic conditions that compel us to consider the bearing of movements abroad.

Must Look Abroad

In fine, whether we view the question from the point of view of the increase of foreign influence upon our own affairs, or the growth of our own influence upon foreign affairs, we are confronted with the fact that in the future we must consult world-wide activities far more than ever before in our history. Let us look for a moment, therefore, at the situation abroad.

We have had the greatest war in all history. Great and terrible as have been the effects of some of our previous wars, in the loss of productive workers, in the destruction of capital and in the diminution of the buying power of the world, they are dwarfed into comparative unimportance by the effects of the Great War of 1914-18.

Barriers to Business

Four years have passed since the armistice, and yet we still find in a widely extended area a condition of affairs that might suggest to a stranger that the war had only just come to an end. Many millions of people living in the territory of formerly powerful states are reduced to a pitifully low state of economic well-being, and hundreds of millions have had their buying power drastically reduced. The loss of these markets has directly or indirectly impeded the recovery of many of the nations that in the past have purchased American products.

If the recovery of world trade depended

only upon the repairing of physical losses due to the war, we might properly expect a much more rapid recovery in the near future. The fact is, however, that we face an entirely new problem. The war has been followed by a series of so-called treaties of peace, the carrying out of which involves greater interference with economic currents than any previous act in the history of industry.

Notwithstanding the lapse of more than three years since the signing of these treaties we are only just appreciating the full significance of the barriers that have been erected against the normal trend of the world's currents of trade. Every passing month, however, brings to light new evidences of the obstructing character of the economic and political changes left by the war and dictated by the treaties of peace.

It is true that a considerable readjustment has taken place in some of the belligerent nations of Europe since the close of the war as well as in neutral European countries and in other parts of the world since the drastic business decline in the beginning of 1920. Much rehabilitation has taken place in France and important capital readjustment has occurred in several other countries. Excessive surplus stocks of goods in many parts of the world have been liquidated and absorbed; private financial liquidation has occurred and the public finances of some states have been put upon a sounder basis. After all of the evidence of improvement have been enumerated, however, the fact still remains that there exist lamentable gaps in the readjustment necessary to world trade recovery.

Two Sets of Facts

In looking to basic conditions that affect the future of American business, therefore, we are confronted with two sets of facts. On the one hand, we find an abundance of evidence that very substantial improvement over the worst period of the depression has taken place at home. In addition to this we find to a somewhat less degree, but still to a degree that offers much basis for encouragement, a readjustment in commercial and financial conditions in many other countries. On the other hand, we find a condition of affairs in certain European countries that presents definite obstacles to anything like the full recovery of world trade. In view of these two sets of conditions, what may be said to be the outlook for American business?

The Future of American Business

I believe that there are open to American business men two courses. By relying upon indications of improvement such as we already have had, by developing confidence and faith in the future and by bringing about certain additional readjustments (of a somewhat difficult but possible character), I believe that we may, within ourselves, and by the help of what foreign trade must come to us in any circumstances, advance business development in this country and attain a moderate prosperity.

If, however, we content ourselves with a modest recovery we shall take a position which will constitute a signal retreat from the spirit of enterprise that has animated this country throughout a hundred years; and that has made of America a great progressive nation. We Americans, up to the last few months, have never been satisfied with mediocre results. We have been willing to take great risks; and, if necessary, to suffer great losses; but we have been determined to enter upon great undertakings and to hope for great accomplishments.

Must Start Rest of the World

The second course which I believe to be open to American business is a return to something approaching the old opportunities, the old rate of progress and a real prosperity. Never before has there been a time in the history of America when she occupied such a predominant position in world finance, never before has there been a time when other countries so urgently needed our products.

But in order to grasp the opportunities before us the rest of the world must be started upon a normal course. If we Americans are to take advantage of our new position in world affairs and if we are to have conditions in which we can make the most of our new international capital position it is essential that we play our part in the readjustment of world conditions.

Vision Is Needed

I believe that the outlook for American business, therefore, depends largely upon whether American business men are going to be contented in playing a relatively smaller role than before the war, to restrict their international economic relations and to accept within a restricted market modest profits, or whether they are going to broaden their views to the new vision that is demanded by present problems and opportunities, and to assume their part in the great work of readjustment that is yet to be done.

Introduces Mr. Munsey

PRESIDENT LONSDALE: We people of the United States can meet and combat any known situation. It is only the unknown that worries us. At the beginning of this year Mr. Frank A. Munsey, publisher, held up before the bankers and business men a mirror entitled, "1922—What Will It Mean to Us?" We recognize that a mirror held before us gives back smile for smile and, alas, a frown for a frown; and today we further realize that:

"Words are things and a small drop of ink, Falling like dew upon a thought, produces That which makes thousands, perhaps millions, think."

It is a great privilege to present Frank A. Munsey, who will address you on "Some Problems for Thinking Men to Think About."

Problems of the Hour

By FRANK A. MUNSEY

Publisher, New York

MR. LONSDALE'S telegram inviting me to speak at this convention expressed the belief that I might say something to you that would be helpful to banking and helpful to business. My discussion of the business and industrial outlook for 1922, published in the New York *Herald* on the first day of the year, seems to have been largely responsible for the impression.

That forecast was substantially optimistic. This is as far as it went. The basic conditions on which sound prosperity rests were not yet right, but they were improving. We had put twenty months of retrenchment between us and the wild orgy of inflation and speculation of 1919. My purpose was to show that we were making progress toward better times and that what we needed was confidence. People never get very far, never accomplish very much while enshrouded in gloom. Confidence is necessary to progress, but confidence governed by facts and sound reasoning is the only confidence worth while.

We are a mercurial people. We are either up in the clouds or down in the depths. When business is good, industries are humming, securities booming, there is no limit to our optimism. We are temperamentally incapable of seeing that the period of high pressure activities cannot go on forever. And so, too, we are temperamentally incapable of seeing any light and hope ahead when we are plunged from the bright heights of booming prosperity into the valley of gloom. This does not apply to all Americans. It does not apply to far-seeing, sound-reasoning men, but it is true of the American people in the large bulk.

One of the soundest pieces of work

ever done in this country, one of the most necessary pieces of work ever done in this country, was done by the banks in 1920 in calling a halt to speculation and reckless expansion.

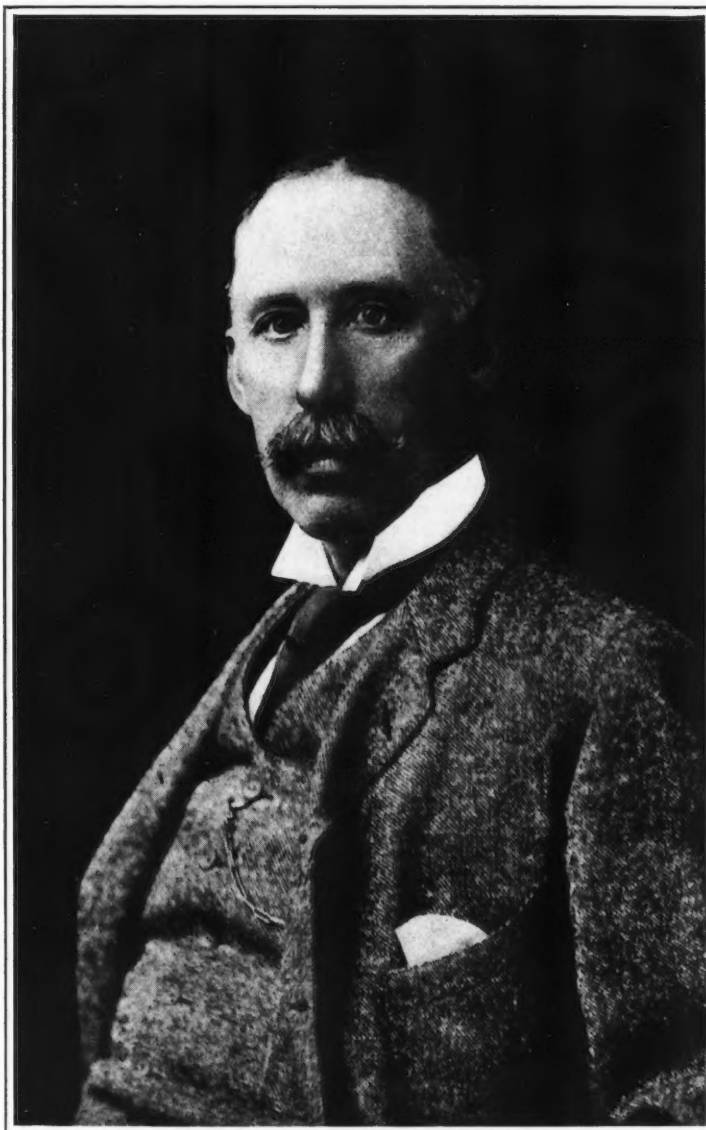
It called for fine courage to jam on the brakes as you gentlemen jammed them on at that time. We were running wild with wide-open throttle; we were running straight for a smash that would have paralyzed the nation and stunned

the world, when under the able leadership of W. P. G. Harding, Governor of our Reserve Bank System, you warned the country that it must immediately begin slowing down and you applied the remedy that meant slowing down.

There was no other way to save the situation. There was no other force, not even the government itself, that could have saved the situation. Industries cannot run without money fuel; business

cannot function without money fuel; speculation falls flat without money fuel; and since the banks held the money of the country they alone were in a position to initiate and carry through retrenchment.

In my January discussion of conditions this year, as in my January discussion of conditions last year, I painted no alluring picture of business. I saw no boom in the offing, and did not wish to see one, for conditions were not yet right. What I wished to see and regret that we have not seen is a gradual but thorough liquidation in our production costs and in distribution costs, a general liquidation in house rents and other living expenses. With this liquidation we should have a sound foundation on which to build business and to look with justifiable confidence for a good run of prosperity. But instead of lower production costs we have gone to higher production costs; instead of liquidation in the wage scale we have inflated the wage scale; instead of lower housing costs we are compelled to maintain, if not to increase, the present housing cost. In this situation are the underlying conditions right for a run of sound business prosperity and have they been such as to justify the bull market of the last six months? Is not the



FRANK A. MUNSEY

Paul Thompson

business revival largely in response to the cry of empty shelves? If so, will the activity last?

And how about foreign trade? With our high cost of production, there is and can be no such thing as foreign trade for America, except in raw materials, in foodstuffs, and in certain specialties. Production costs that make competition with other countries impossible annihilate our export trade, and without foreign trade what is the answer?

In spite of all this; in spite of the fact that general conditions have not been right; in spite of the serious conditions abroad; in spite of the long drawn out coal strike; in spite of the disastrous railroad strike, security prices have gone steadily up, until now they stand at figures warranted only by sound economic conditions.

Sound Economic Conditions?

But have we sound economic conditions, considering our relations with Europe in her financial and economic distress, and considering in a large view our own unrest and our unsolved and unsettled problems? And is business generally coming back in dependable volume or is the revived activity merely spotty?

You may very well fancy that it is not altogether clear to me why the rebound from depressing conditions of eight months ago should have come on so fast. No, it is not altogether clear to me. I question if the underlying conditions are right to sustain the premature boom of recent months. It may very well be, however, that I am wrong. To be right all the while is to be a drone or to own the world.

But the discussion of finance and economics and immediate business is not my purpose today. You are all steeped in finance, in economics, in the science of banking, and what you do not know about these will be told you by other speakers.

Labor Shortage

The labor problem is one of our most pressing problems just now. The country hasn't enough labor to carry on its work, hasn't enough skilled mechanics, especially in the building trades, to carry on its work. With wages advancing lower living costs are not possible. In the steel mills and in the textile centers wages have had a sensational advance, and this advance was compulsory because of the shortage of labor. In both fields of activity it was a question of bidding high for labor or shutting down the plants. Labor, like commodities, is subject to the law of supply and demand. The wage of labor will never come down until the supply exceeds the demand.

The law passed by Congress soon after the war restricting immigration is wholly responsible for the present labor shortage. If this law had never gone on the statute books, if our portals had remained as free to immigration since the war as they were before the war and as they have been throughout our history, our

inflated wage scale would have been well liquidated before now.

No Deflation of Wages

That wages would not deflate when there was a shortage of labor should have been clear to the Washington statesmen. It should have been clear to them because of the fact that America does not produce its own labor, and never has produced its own labor since the formation of the government. England, France, Germany, Italy, and all the countries of the Old World produce their own labor. They do not depend upon foreign labor to do their work. Our only domestic labor, outside of the rural sections, is colored, and in the North that is wholly negligible. There isn't enough of it to make a dent in the situation.

We produce no labor in America for the reason that there is no sympathy between the American public school and the pick and the ax. Put a boy through an American public school, whether he be the son of an immigrant laborer or the son of an old line American, the result is the same. He will have nothing to do with labor. And what is true of the American boy is true of the American girl, in respect of service. This spirit is fine, admirable. It is the spirit that has made America what she is—the richest and strongest nation in the world. But it leaves us without labor of our own and almost wholly dependent on foreign labor to do the plain, simple work that only human hands can do.

Plain Labor

We must have a substratum of plain labor. Modern life and modern civilization cannot exist without it. We must have mechanics, carpenters, plumbers, plasterers, bricklayers, and painters to build housing quarters for our people. Modern civilization cannot exist without this skilled labor, and the present shortage of it is so great that mechanics here in New York have been demanding and getting bonuses beyond the union scale that have run their wages up to as much as \$15 a day.

In Chicago prices have gone still higher—as high as \$25 a day for plasterers, according to a Chicago dispatch published in one of the morning papers in New York a few days ago. Can you fancy anything more impossible than this? Can you fancy what it means in house rents, what it means in the cost of the shoes we wear, the clothes we wear, the food we eat? All branches of labor have a direct bearing, the one on the other, in respect of wages.

In this situation it is perfectly clear that the country should demand, and that you should demand, an immediate change in our immigration laws—a change that will let into the country the willing workers of the Old World who are begging at our doors for admittance. In the matter of immigration what we need and what common intelligence dictates

we should have, is not restrictive laws, but a selective system. Any change in the immigration law that would let into this country more plain labor and more skilled mechanics will be fought to the limit by organized labor. Whether our present restrictive law was passed at the behest of organized labor I do not know, but I do know that the law is exactly what organized labor has been contending for, and what organized labor will contend for with all its force.

Our Political Machinery

A country the size of America, a democracy, must have party government. There is no other way to manage it. No big concern can exist without organization, and the biggest business concern in the world today is the American Government.

A democracy is a mutual concern managed by the citizens of the country. With a population of 110,000,000, obviously the only way the individual citizen can make himself felt in the management of his business—and his government is his business—is through a political party.

We are not lacking in party organization. Indeed the Democratic and Republican parties are so strongly organized, have become so thoroughly entrenched in the field of politics, that it is a question if they have not become our masters, not our servants.

In the early days of the republic they represented distinct and positive ideas. But with these great fundamental ideas converted into history there are no longer any big outstanding issues between them that have any place in our politics.

There are, to be sure, many small points on which the Republican and Democratic parties differ today. It is their business to differ, to create differences to work up issues, without which they would cease to exist as political parties.

It is the business of each party to oppose and to fight the acts and proposals of the other party. There is very little teamwork between the two parties in Congress and in our state legislatures given to constructive measures—very little teamwork given to the economics of government, given unselfishly to the interests of the government and to the interests of the people.

Each Party on Narrow Margin

The truth is that neither party has a sufficient margin of safety to justify it in taking chances on such cooperation; that neither party has a sufficient margin of safety to justify it in forgetting for a minute the vote back home.

While this political jockeying has been going on since the great old issues disappeared, a new issue has developed that now divides all America into two political camps as yet without political names.

They are the radical camp and the conservative camp, and within each camp there is a wide range of thought and feeling.

Some day, and not a very distant day at that, these two groups will evolve into organized political parties with names that signify what they stand for. The names of the Republican and Democratic parties have no significance that fits the present day. Each means substantially the same thing—means a stand for popular government. Since, however, we are not by way of changing our form of government, these party names mean nothing.

It is not in me to put aside things that are old simply because they are old. No more is it in me to continue the use of things that are old simply because they are old. I have no such maudlin sentiment. If an old machine can give as good an account of itself as a new machine it is the part of economy, the part of common sense, to continue using it. If it cannot do this it is an economic crime to continue using it. This is as true of political machinery as it is of any tangible machinery in our vast steel plants or other great undertakings. And so, if the two old parties can continue to do our work as well as strictly new parties could do it, I should certainly favor keeping them in the harness. It would be the easy way. But personally I do not believe they can deliver the goods handicapped as they are by the accumulated prejudices of time.

Service

What we want and should have is service, and we should see to it that we have the machinery that can give us the service. In our political conventions it has been the custom of both parties to dwell at length on their historic achievements. This does not mean a thing to me. What a party can do, is doing, means everything to me.

The salvation of our present situation would be a liberal conservative party numerically strong enough to hold the balance of power against the radical forces.

There is no more conservative section of the country than the South. The conservative people of the South naturally belong with and should line up with the conservative people of the North. With new political parties this would be perfectly simple, while it is not possible with the old parties as separate entities in the field.

To make it plainer: If, for example, the Democratic party should come out as the radical party, retaining the old Democratic name, can you fancy that men who had been voting the Democratic ticket all their lives, however conservative their sentiments, would switch over in large numbers to the Republican party?

And considered from the other side, can you fancy that men who have been voting the Republican ticket all their lives, however radical their sentiments, would switch over in large numbers to the Democratic party?

This is the crux of the whole matter, for the important thing in this situation is for our voters to enroll with the party that stands for the thing they stand for in their own hearts. And this is not

possible with the Republican party and the Democratic party in the field. With these two old parties out of the way, the new political alignment of the people would obviously be in perfect accord with their sentiments.

But there is one way that these two old parties could be of the greatest service to the country. This is through consolidation. Still the name—the Democratic-Republican party, or whatever it might be—would give no indication of its policies. Nevertheless, this combination of forces would constitute a mighty wall of strength reared against the fast rising tide of radicalism.

I can see nothing so important to this nation as would be the welding together in a great solid unit of all our citizens who think alike as concerns constitutional government, who think alike as concerns property rights, who think alike as concerns the institutions of our government under which we have grown into a great, powerful and happy people. Reconciled to liberal conservatism—liberal conservatism in fact—our politics would be in much better shape than they are today, in much better shape than they have been since finishing the work for which the two old parties were originally formed. With radicalism the issue, with a radical party on the one hand and a liberal conservative party on the other, there would no longer be occasion in Congress and our state legislatures for jockeying for issues.

I have said that the very great issues which separated the Democratic and Republican parties have passed into history. Let us go back and check up the facts. The original issue between the Democratic party and the old Whig party, the predecessor of the present Republican party, in the early days of the republic, was the tariff.

Tariff Views

Almost at the outset of the republic friction began to develop between the North and the South over this question. The South, with its abundant crops of cotton, corn and tobacco, and with no manufacturing, stood out for free trade. It could live and prosper on the products of its soil. It had no infant industries to protect, and as the South reasoned, why should it be taxed through the mechanism of a tariff to protect the infant industries of the North?

The North, on the other hand, without the sunshine and the fertile soil of the South, could not live on the products of its own hard, rocky acres. With the North it was a question of industrial development or no development at all. Its small factories could not compete with the established factories of England without a tariff that would level up the costs of production abroad with the costs of production at home.

And so the issue was clearly and sharply drawn between the two sections with their wholly different interests. As time went on the feeling over this issue became so tense that John C. Calhoun and Robert Hayne, Senators from South Carolina, came out vigorously for the separation of the South from the Union. This action created a storm that shook

the young republic to its very depths. A long and bitter fight followed, but under the leadership of Daniel Webster, Senator from Massachusetts, the battle was won for the maintenance of the Union. The tariff sore, however, remained unhealed and the contention of Hayne and Calhoun that the states had a right to secede from the Union still gripped the people of the South and had some following in the North. The Democratic party was the instrument of the Southern idea; the old Whig party, the predecessor of the Republican party, was the instrument of the Northern idea.

Later came the slavery question which stirred the South to the point of putting the Hayne-Calhoun contention to the test. The question, the right of secession, was settled by the Civil War—that question and the slavery question.

No Place in Politics

With these two issues passed on to history only free trade, the original issue, survived the war as the big dividing issue between the two parties. And now that question has been settled in point of fact, through the South itself becoming one of the greatest industrial camps in the Union—an industrial camp destined to become bigger than the North, vastly bigger, for the reason, that it has the raw materials at its door, has lower living costs and is nearer to the centers of consumption.

In this situation the tariff has no place in our politics. It is wholly a business question and should be so treated. Standing out, however, as the original issue between the two parties, it is still the fighting ground between them and to the shame of the American people, who permit these two old parties to keep this great economic question under the sordid heel of politics.

For a considerable time after the Civil War one other of the pre-war issues between the two parties continued as a stalking horse. That was state rights. Considered literally, and in its original meaning, it was a dead issue, but it gradually came to mean the relative balancing of the powers of the states with the national government. That issue no longer functions, for in the eight years of recent Democratic administration the national government took on greater powers in relation to the states than it had ever done in all our history.

America is in a transition stage today. The whole world is in a transition stage today. America has cut loose from the conservatism of our fathers and penetrated deep into the wilderness of radicalism. This is true in our politics, in our statesmanship, in our social life, in our business life, in our point of view in all things.

The change from a century ago has been insidious, revolutionary. The amassing of great fortunes, general prosperity, organized labor, the spirit of unrest, the spirit of Bolshevism, the love of play, the demand for short working hours, the general dislike for work—all these are represented in the new idea, in the spirit of the times.

We must give earnest consideration to this change and square ourselves to our responsibilities. Good government is

back of good banking, back of good business. There can be no safe banking without good government. There can be no safe business prosperity without good government, and it is our duty—your duty, gentlemen—to see to it that we have the right machinery to insure good government.

America is the best living country in the world today with its incomparable natural resources and incomparable opportunities for human advancement. America is worth saving. If it is saved, it will be saved by you and by men like you; if it is lost to the world as the foremost example of democracy it will be lost by you and by men like you.

Nothing succeeds without ownership interest in the management. This is as true of governments as of business; as true of your government as of your banks. If you want a good government you must pay the price that insures a good government. The price of good government in a republic means a deep personal interest in your government, the same serious interest as you have in your business. The price of good government in a republic means work, means watchfulness, means giving the best there is in you to your government. A man may serve his government in many ways. Public service does not consist solely in holding public office. The organization back

of public office is in the public service quite the same as the Congressman or the Governor or the President, for it is the organization that puts him in office. Service in the organization is fundamental and imperative in the life of a democracy.

The position you hold in your respective communities means more than being a good banker, means more than earning dividends for your stockholders; it means citizenship responsibility; it means citizenship service to your respective communities; it means citizenship service to your country. The living of a life is a serious business. The life that absorbs from the world, gets everything it can out of the world and gives nothing back to the world is not worth while. It is a flat waste of human force.

PRESIDENT LONSDALE: In the President's address today, mention was made of business statesmanship. We have seen this exemplified here by a banker and a publisher, and we sincerely hope that Mr. Alexander and Mr. Munsey will waive their usual modesty and have these speeches published in pamphlet form. All those in favor of that, please rise and vote. All present arose.

Officers Elected

John W. Wadden, chairman, president Sioux Falls National Bank, Sioux Falls,

South Dakota, presented the report of the Committee on Nominations as follows:

For president of the National Bank Division, Waldo Newcomer, president National Exchange Bank, Baltimore, Maryland.

For vice-president, National Bank Division, Thomas R. Preston, president Hamilton National Bank, Chattanooga, Tennessee.

For the members of the Executive Committee of the National Bank Division: Federal Reserve District No. 3, E. P. Passmore, president The Bank of North America, Philadelphia, Pa.

Federal Reserve District No. 4, A. F. Mitchell, first vice-president Northern National Bank, Toledo, Ohio.

Federal Reserve District No. 6, E. C. Melvin, president Selma National Bank, Selma, Alabama.

Federal Reserve District No. 10, Charles W. Carey, president First National Bank, Wichita, Kansas.

To fill a vacancy which occurred during the year in Federal Reserve District No. 7, John F. Hagey, vice-president First National Bank, Chicago, Illinois.

The report was approved and the gentlemen named were declared duly elected, and such of them as were present were installed.

Committee on Resolutions

J. W. BARTON, Chairman

Vice-President Metropolitan National Bank, Minneapolis, Minn.

MR. BARTON: As chairman of the Resolutions Committee, I beg leave to submit the following report:

Whereas, the liquidation of International War obligations and the restoration of the economic order of the world depend upon profitable production, and

Whereas, the production of new wealth, the only permanent basis of world recuperation, is dependent upon the uninterrupted flow of products and material everywhere;

Resolved, that efforts to restore normal international world relationships having thus far failed to achieve tangible results, the urgency of the situation demands the same deliberations of business statesmanship, and that with governmental sanction the leading business brains of America should be joined with those of Europe in a conference, out of which would surely come at least the basis for a better understanding of the problems involved and for an early and practical solution of these problems.

Whereas, the history of tax legislation has demonstrated that to subject the taxing of the shares of national banks to the changing moods of the several state legislatures tends toward the creation of a special group or class which may be unfairly burdened by taxation.

Whereas, the force and justice of the provisions of section 5219 of the National Bank Act are fully recognized, therefore be it

Resolved, that this Division reiterates its endorsement of the spirit of said sec-

tion, commends the work of the special taxation committee of the Association, and pledges its continuous cooperation to the end that the protection afforded by this section shall not be withdrawn or lessened.

Whereas, recent reports show unusual activity in the making and circulating of counterfeit paper money, therefore, be it

Resolved, that this convention requests the secretary of the treasury to resume the same high quality of materials and of mechanical production of paper money that obtained prior to the war, in order to provide the largest possible protection against counterfeit, and be it further

Resolved, that a copy of this resolution be sent to the secretary of the treasury, the chairman of the appropriations committee of the United States Senate, and the chairman of the appropriations committee of the House of Representatives.

Whereas, the history of the national banks of the country is one of continuous service to their respective communities, which service has expanded as additional needs have arisen, and

Whereas, the savings departments of national banks have come to be important features of national banking by reason of the added banking facilities offered the public, and

Whereas, experience shows that the provisions of the national bank law are not only right in theory but in practice as regards the investment of national bank funds, and

Whereas, it is unwise to set aside any particular part of a bank's assets in order to prefer one class of depositors over another, therefore be it

Resolved, that it is neither necessary nor prudent to make any changes in a provision that has proved so satisfactory.

Whereas, this Division is under deep obligations to the speakers and all others who have participated in our proceedings, for the masterly way in which they have discussed present day conditions and needs, therefore be it

Resolved, that we as a Division extend to them our heartiest thanks, and acknowledge the deep obligations under which they have placed us, and the consciousness of the benefits to be derived from the adoption of the precepts they have so ably and clearly set forth.

Whereas, the welcome we have received at the hands of the people of this great city has been so cordial and sincere, and

Whereas, the preamble of the official welcome expressing the desire that "This is your city as much as ours" has been abundantly fulfilled, therefore be it

Resolved, that the National Bank Division extend to the New York Bankers gracious appreciation of their fine hospitality, and assure them that the admiration and regard for their and our wonderful city has been renewed and cemented for all time to come.

The report of the committee was approved by the convention.

The Year in Division Work

Report of the President

By JOHN G. LONSDALE
President National Bank of Commerce,
St. Louis, Mo.

(Extracts from report)

The National Bank Division of the American Bankers Association is finishing an eventful year in its history—a period of considerable legislation, mostly beneficial, as has been a great deal of the last twelve months' progress. Especially gratifying has been the attempt to both enact and interpret legislation in fairness to national banks.

Originating in this Division at the Los Angeles convention, as a move for banking equality, the subject of what constitutes proper banking facilities has assumed its true significance before the Association at large.

National banks, seeking the impartial application of banking opportunities, and by reason of the prevalence of certain practices by other classes of banks, officially adopted as the position of the Division in this important matter a resolution of which the following is a part:

"Therefore, be it resolved, that the National Bank Division of the American Bankers Association requests the Congress of the United States to so amend the national bank act as to permit national banks to maintain and operate branches within the corporate limits of the cities in which the head offices of such national banks are located, to be confined, however, to states in which state chartered institutions are authorized to have branches."

This quest for banking equality is no plea for special privileges or any new rights to the exclusion of others. To disapprove of the equalization of what already exists would be to depreciate justice. If the practice itself be bad, then it is universally unsound, but that conception of its worthiness is not within the provisions of the Division's official expression. That it be fully considered by the Association as a practice affecting all banking is all that this Division can in justice demand.

Attention to legislation naturally found an important place in the year's work, as banks of this Division derive their power from and are regulated by the Federal government. The Division has been fortunate in having not only a capable chairman of its Federal Legislative Committee, but a gentleman whose home is at legislative headquarters—Washington. His alertness in laying pertinent banking facts before the proper Congressional committees has been of greatest value.

Charters Bill

Considerable anxiety reigned in national bank circles because there was no legal provision for the extension of a national bank charter beyond the third twenty years, and no less than twenty-four charters were on the eve of expiration. The bill authorizing 99-year franchises, while having the indorsement of the Association, was so distinctly a Division matter that the latter, through its

officers, its committees and its individual members, acquainted Congress with the justice of the measure, resulting in its adoption.

Revenue Bill

Many associational influences cooperated in having placed in the Revenue Bill a provision permitting banks to deduct from their income tax the sums paid in state, county and municipal taxes. Our Division watched this through the Senate and in conference and was a vital factor through being continually on the job concerning this measure.

State Taxation of National Banks

There have been various amendments before Congress proposing to give the states power to measure the rates of taxation assessed upon shares of stock in national banks by something other than the rates assessed upon other moneyed capital in the hands of individual citizens, as the law now requires. One of these bills finally passed the House after a number of amendments and went to the Senate where it was referred to a subcommittee which has under consideration also the Kellogg Bill, seeking to place all banks, national and state, in one class and assess them without regard to the rates imposed upon other moneyed capital. The inequalities of this measure in its present form are immediately apparent to all bankers, and inasmuch as it contains a retroactive clause which would legalize the taxes assessed since January 1, 1917, this legislation is receiving careful attention both in this Division and by the special committee of the American Bankers Association.

Washington Office Popular

The increased use of the Washington office, both by the Division and by the Association at large, has continued, verifying the foresight of those who originally conceived this plan. With all government agencies that have to do, either directly or indirectly, with bank management through this office the Division is kept constantly in contact.

Generally summarized, the headquarters work resolves itself into the following classifications:

First: Attention given to legislation, that members may know what is being done in Congress—and this includes ascertaining the viewpoint of governing committees and individual members on all pertinent legislation and transmitting it to the proper Federal committees.

Second: Embraces the task of representing the members before the various executive departments in matters of special business pertaining to their banks.

Third: Includes the gathering and dispatching of a great deal of information to secretaries of sundry state associations for distribution to their members.

Fourth: The maintenance of activities intended to assist member banks in the

development of the several departments of their business.

The Division has as a deputy manager in charge of the Washington office, a secretary whose ambitions and energies fit peculiarly into the expanding requirements of the work. The splendid manner in which he has cooperated with the executive heads in increasing the service of the headquarters is fully appreciated, and last, but not least in my thoughts, is a final word of thanks to the members of this Division for the honor they have conferred upon me in electing me president, for I feel that the experiences and contact with the capable minds composing this group have been among the most enjoyable and profitable periods of my life.

This Division is proud, almost zealously so, of its development, and upon the individual interest of the members, combined with a fair, but far-sighted aggressiveness on the part of the divisional administrative heads, depends the continuance of this expansion and the future success of national banks—institutions worthy by service and by experience to parallel the best progress of these grand old United States.

Executive Committee

THOMAS R. PRESTON, Chairman
President Hamilton National Bank,
Chattanooga, Tenn.

(Extracts from annual report)

It is apparent to everyone that there is alarming and growing disparity between the capital and resources of national banks and the capital and resources of state banks. This is occasioned largely by the broader powers granted to banks organized under the laws of some of the states. If this condition should continue for a few years it would undoubtedly endanger our unified banking system under Federal supervision. Out of more than 22,000 state banks in the United States, nearly one-half of them eligible to membership in the Federal Reserve System, only 1,600 have so far joined, though there are more than 8,000 national banks, all of which are of course members of the system.

The disadvantages under which national banks labor in some states make it imperative that Congress and the Administration be informed of the tendency toward the relinquishment of national charters and urged to stay withdrawals from the national system, which thus result in the weakening of the Federal Reserve System. As an example, in the city of Los Angeles, out of over \$500,000,000 of deposits, the total in national banks has been reduced to only \$165,000,000. In the city of Detroit, with a population of nearly one million, there are 185 banks and branches. Of these only three are national banks and 182 are state institutions. These conditions prevail to some extent also in other localities in the United States.

It was not thought that national banks would seek any special privileges, and they do not, but it is gratifying to know that some of the government officials, legislative and administrative, recognize that a financial structure under Federal control is essential to stability and sound finance. Twenty-two states now have a system of branch banks, and we have heard of no sound reason why national banks should not be accorded the same privilege, at least in these twenty-two states.

At another meeting of your committee held at White Sulphur Springs in May, 1922, the work by the division during the early part of the year was approved and a plan adopted for the latter half. One of the most important subjects was that of the extension of national bank charters. The committee gave its strong endorsement to the efforts made by the Division to secure the enactment of a law which would grant charters to national banks for unlimited periods of time, and much time and effort was spent in this direction. The final result was that Congress passed a law granting charters for a period of ninety-nine years from July 1, 1922. While this was not what your committee desired, or what the national banks really had a right to expect, it serves almost every desired end and your committee feels that it is a mark of real progress.

Your committee, basing its opinion upon expressions received from national bankers in all sections of the country, stated its opposition to the several proposals made to Congress for a so-called liberalization of the laws governing real estate loans by national banks. Your committee is of the opinion that the existing laws are sufficiently broad, and that no effort should be made to have them amended.

Your committee has from time to time noted what it considers a wise attitude of the Comptroller toward national bank agencies. In some quarters there existed for a considerable time the opinion that a proper construction of the National Bank Act authorizes the maintenance of more than one office of a national bank in the city in which it is chartered to operate. The present Comptroller is one of those who entertained that belief and, after a careful review of the rulings and the reasons therefor, and an exhaustive search of the statutes and the court decisions, he announced his conviction of the correctness of that position. Acting upon this view, and with his approval, a number of national banks have established additional banking offices in their efforts to meet the competition of state banks with branches. A distinction is drawn between a branch bank and an additional office or agency, and only the latter are contemplated by the Comptroller's position. There are a number of measures before Congress on this subject. The courts have also been appealed to prevent national banks from establishing agencies.

The members of the Executive Committee have followed the work of the Division closely during the past year, and many of them have often visited the Washington office and have kept informed of the Division activities, but a

large portion of the work has been most efficiently handled by the deputy manager and his very competent assistants.

Federal Legislation

H. H. MCKEE, Chairman
President National Capital Bank,
Washington, D. C.

(Extracts from annual report)

Three measures of interest to national banks have been enacted into law since the meeting of the Division at Los Angeles last year.

Senate Bill No. 2263, introduced by Senator Kellogg, which became a law June 3, 1922, amends the Federal Reserve Act so as to provide for six appointive members of the Federal Reserve Board, and directs the President to have due regard to a fair representation of the financial, agricultural, industrial and commercial interests and geographical divisions of the country in making appointments. The former provision of the Federal Reserve Act requiring that two of the appointive members of the Board shall be experienced in banking and finance is stricken out.

Senate Bill 831, introduced by Senator McLean, which became a law July 1, 1922, amends Section 9 of the Federal Reserve Act in the following language: "Provided, however, that no Federal Reserve Bank shall be permitted to discount for any state bank or trust company notes, drafts, or bills of exchange of any one borrower who is liable for borrowed money to such state bank or trust company in an amount greater than that which could be borrowed lawfully from such state bank or trust company were it a national banking association." The object of this measure is to place state banks upon terms of equality with national banks in respect to rediscounting with Federal Reserve Banks.

House Bill 9527, introduced by Representative Lawrence, which became a law July 1, 1922, amends Section 5136 of the Revised Statutes and authorizes national banks to have succession for ninety-nine years from July 1, 1922, or from the date of organization if the latter is subsequent to July 1, 1922.

Passed the Senate Only

Two measures have been passed by the Senate. Senate Bill 3531, introduced by Senator Harris, amends Section 9 of the Federal Reserve Act so as to permit a state bank to become a member of the Federal Reserve System if it possesses a paid-up, unimpaired capital of 60 per cent. of the amount sufficient to enable it to become a national bank in the place where it is situated, provided it sets aside annually in a fund an amount not less than 20 per cent. of its net

income for the preceding year and increases its capital from such fund from time to time until it possesses a paid-up and unimpaired capital not less than the capital which would have been required if the bank had been admitted to membership as a national bank.

Senate Bill 3840, introduced by Senator McLean, amends Section 5147 of the Revised Statutes by providing that the oath of directors of national banks shall be taken before a notary public, properly authorized and commissioned by the state in which he resides, or before any other officer having an official seal and authorized by the state to administer oaths, except that the oath shall not be taken before any person who is an officer of the director's bank.

Passed the House Only

Two measures have passed the House of Representatives. House Bill 8996, introduced by Representative Lawrence, amends Section 5211 of the Revised Statutes so as to authorize the Comptroller of the Currency to require of national banks not less than three reports annually, instead of not less than five, as provided in existing law.

House Bill 9409, introduced by Representative McFadden, amends Section 5209 of the Revised Statutes relating to the penalty for embezzlement by Federal Reserve officers, agents or employees so as to include national bank examiners and assistants.

Branch Banks

There are now before the Banking and Currency Committees of Congress nine bills on the subject of branch banking. One would permit national banks, regardless of their location, to establish branches. Four others would restrict the establishment of branches of national banks to states in which state banks and trust companies have that right. In addition some of them would require that the capital of the parent bank be at least equal to the minimum required for the establishment of a national banking association in that location, plus a certain amount for each branch organized. Three of the others are identical and would deny national banks the right to establish branches except in such states as by direct legislation authorize state banks and trust companies to establish and operate branches, branch offices or agencies. The last one, and the one most recently introduced, forbids all members of the Federal Reserve System to establish, own or maintain branches or branch offices, and the penalty proposed for violation is forfeiture of membership in the Federal Reserve System. The prohibition, however, does not extend to those branches which were in operation July, 1922.

None of the nine bills has been seriously considered by either the Senate or House Committee on Banking and Currency, and nothing will be done with them until after Congress assembles again.



SAVINGS BANK DIVISION



School Savings and Bank Promotion of Thrift

THE annual meeting of the Savings Bank Division was divided into four notable events which in their order of occurrence were the annual reunion luncheon, the meeting of the executive committee, the general session and the school savings banking meeting.

Annual Reunion Luncheon

The annual reunion luncheon was held at the Biltmore Hotel on October 2 and had as its guests the present officers and several ex-presidents of the Division and general officers of the American Bankers' Association, including the following:

Raymond R. Frazier, president: Washington Mutual Savings Bank, Seattle, Wash.; Samuel H. Beach, president Rome Savings Bank, Rome, N. Y.; William E. Knox, vice-president and comptroller, Bowery Savings Bank, New York City; Joseph R. Noel, president Noel State Bank, Chicago, Ill.; E. L. Robinson, vice-president Citizens' National Bank, Baltimore, Md.; Victor A. Lersner, treasurer Williamsburgh Savings Bank, Brooklyn, N. Y.; S. Fred Strong, treasurer Connecticut Savings Bank, New Haven, Conn.; W. A. Sadd, president Chattanooga Savings Bank, Chattanooga, Tenn.; R. C. Stephenson, president St. Joseph Loan and Trust Co., South Bend, Ind., from the Savings Bank Division and the following officials of The American Bankers Association: J. H. Puelicher, First Vice-President, Chicago; Walter W. Head, Second Vice-President, Omaha; F. N. Shepherd, Executive Manager, New York City.

Meeting of Executive Committee

The Executive Committee received and adopted several important reports, which have been made available in pamphlet form and which as to their more important subjects may be summarized as follows:

Committee on Federal Legislation—Messrs. Deppe, chairman; Sadd, Knox, Soliday, Saul and Noel, dealing with (1) constitutional amendment to prevent further issue of tax exempt securities; (2) special exemption of dividends or interest from domestic building and loan associations; (3) extension of postal savings system; (4) the federal budget system; (5) closer cooperation with Federal Legislative Committee of American Bankers Association.

Committee on State Legislation—Messrs. Wallace, chairman; Sartori, Coffman, Smith, Brock and Satterlee; dealing particularly with (1) futility of guaranty fund legislation; (2) recent savings fund legislation in New York and Massachusetts.

Committee on Facilities and Service—Messrs. Hawley, chairman; Morehouse,

Lersner and Dexter: recommended (1) use of pay-roll checks; (2) establishment of local branches by mutual savings institutions.

Committee on Mortgage Loans—Messrs. Pulleyn, chairman; Blackburn, Bakewell, Strong, Slach, Wilcox, Brown; urged (1) larger investments of savings deposits in loans for housing, and (2) wider application of the principle of amortization of mortgage loans not only for the advantage of savings banking but for the encouragement of personal thrift. This report gave the results of a recent questionnaire on the extent of the mortgage loan business by all banks. It showed that on June 30, 1921, according to the United States Comptroller of the Currency the reporting banks held \$4,753,000,000 of real estate mortgage loans and the returns to the questionnaire indicate that at least \$2,000,000,000 was loaned by banks on real estate security during the year ending last June 30.

Committee on Liquid Investments—Messrs. Beach, chairman; Betz and Bogardus; made a fine report on railroad equipment notes for savings bank investment. This committee will be merged with that on Investments.

Committee on Savings—Mr. Howard, chairman; Mrs. Stevens, Messrs. Converse, Hays, Webb and Lawler; presented a detailed report on plans for operating school and industrial savings systems and in accordance with its recommendation the executive committee adopted the following principles to be recommended to member banks:

School Savings

1. A pass-book system which will be operated by actual collections of money in the schools on certain days of the week, the amounts to be entered in a school folder, or school pass-book.

2. The transfer of these school funds to be made to individual accounts opened at the bank, after an acceptable amount has been accumulated on the school folder.

3. The active cooperation of teachers, with an optional feature whereby high standing pupils may act as tellers and cashiers within the respective grades, in order to relieve the teacher of the detail duties required.

4. No recommendation is made for any particular pass-book system, but if the secretary of the Savings Bank Division is requested to furnish a complete system with forms prepared, he can recommend any plan that complies with the above requirements and that meets with the approval of the executive committee of the Savings Bank Division.

5. It is recognized that any complete and detailed system with all official forms prepared would be impractical at this time, and that it is better to reach an

agreement on the general principles of school savings as viewed from information and statistics already collected, leaving some room for improvement.

Industrial Savings

1. That the pay-roll system be used.
2. That an authorization from the employee must be signed, instructing the cashier or paymaster of the corporation to deduct so much per week from his pay envelope, placing therein a card, or other slip, showing the amount deducted.

3. That employees be required to sign a regular bank signature card, which will be retained by the bank.

4. That it be understood the authorization of the employee to the cashier is voluntary and can be cancelled at any time.

5. That pass books should be kept at the bank, but at the option of the employee may be kept by himself or the paymaster.

6. That the hearty cooperation of the corporation officials must be secured, and yet paternalism, or any attempt to examine pass-books and pry into the affairs of the employee, be avoided.

7. That the forms and stationery to carry out such a plan shall be approved by the executive committee of the Savings Bank Division. (The executive committee subsequently designated a committee with power to give effect to this provision, composed of Mr. Howard, President Beach and Deputy Manager Woodworth.)

Promotion of Thrift

The president's address was delivered by Raymond R. Frazier, President of the Division and President of the Washington Mutual Savings Bank of Seattle.

The topic selected for the general session was "How Banks Promote Thrift and Saving."

Four discussions by such practical bankers as Messrs. Brock, Howard, Hicks and Lersner were followed by the address of the afternoon "Thrift and Thriftlessness" by Dr. Nicholas Murray Butler, President of Columbia University. These five addresses are reprinted in part on the following pages.

Resolutions

The Division then adopted the resolutions reported by a committee composed of Messrs. Howard, Deppe, Wallace and Hawley, as follows:

1. *Resolved*, That the Savings Bank Division of the American Bankers Association tenders to the United States Government its full cooperation in the redemption and refunding operations incident to War Savings Certificates maturing January 1, 1923.

2. *Also, Be It Resolved*, That a policy of giving priority to investments of savings deposits in real estate mortgage loans for

homes preferably on an amortization plan be recommended.

3. *Resolved*, That the promotion and extension of school and industrial savings by banks be endorsed and in the operation of such plans the principles recommended by the Executive Committee of this Division for official American Bankers Association school and industrial savings systems be approved.

4. *Resolved*, That the public should be warned for investment purposes against any class of contract involving the principles of lottery and in particular against that form of real estate mortgage contract issued by what are popularly known in many states as "Three and Four Per Cent Contract Loan Companies."

5. *Resolved*, That we disapprove of any legislation looking to actual or pretended guaranty of bank deposits because it violates the sound economic principle that the competent and good shall not be taxed to pay for the inefficient and bad.

6. Finally, *Be It Resolved*, That we express our appreciation of the ability and earnestness displayed by president Raymond R. Frazier of Seattle and his associates in the retiring administration, and all who contributed in any way to the pleasure and profit of those attending this, our twenty-first, annual meeting.

Election of Officers

The committee on nominations, Messrs. Sadd, Chairman; Brock, Noel and Strong, made recommendations which were adopted and the following officers were duly elected and installed for the year 1922-23:

President—Samuel H. Beach, President Rome Savings Bank, Rome, N. Y.

Vice-President—Chas. H. Deppe, Vice-President Union Savings Bank & Trust Co., Cincinnati.

Members of Executive Committee for term expiring 1925:

Thomas F. Wallace, Treasurer Mechanics & Farmers Savings Bank, Minneapolis.

John S. Broeksmit, Treasurer Harris Trust & Savings Bank, Chicago.

W. R. Morehouse, Vice-President Security Trust & Savings Bank, Los Angeles.

Member of Executive Committee for term expiring 1923, to fill vacancy:

John H. Dexter, President Society for Savings, Cleveland.

School Savings Meeting

The concluding session of the Savings Bank Division was devoted to the advancement of school savings banking projects. The program was intended to confine the discussion to principles rather than to methods and it was unfortunate that limitations of time prevented the prolonged discussion which many of the 200 persons present seemed to desire.

The speakers made many valuable suggestions as will appear from the articles printed elsewhere in this issue and contributed very largely to the impetus which this educational movement received as the result of action by the executive committee and many incidental discussions of convention week.

Ideals in School Banking

By PHILIP J. LAWLER

Bank of Italy, San Francisco

IT IS said that the first savings enterprise, amongst English-speaking people, was started by a Miss Wakefield in England about 1795, for the expressed purpose of encouraging frugality amongst children. The success of her effort eventually stimulated a desire to inaugurate a similar plan for men and women. This was the real beginning of the modern savings bank.

In initiating this movement amongst boys and girls, Miss Wakefield demonstrated that she was not only a philanthropist, but an economist and a patriot. Her work was philanthropic, because in teaching children to save, she showed them, in a practical way, how to avert the evils that frequently lead the unfortunate to the pothouse or to a reformatory.

This woman must have been an economist too, for in dealing with children, only she grasped a fundamental economic principle, in an evident full realization that the cradle and the school are the logical places to begin great reforms, the places where the real preparation for the future should commence, in order to create a better appreciation of life itself, as well as to awaken a deeper interest in the home and in the nation.

Miss Wakefield's service to patriotism was not less important than her other contributions to mankind, for who will deny the tremendous value to the nation of men and women who have learned to coordinate their expenses to their income, by periodically saving something to meet emergencies.

In the perspective of the history of savings banks, Miss Wakefield's endeavors in behalf of children should stand out in clear outline as a majestic peak of achievement among the mountain chains of great events.

The humanitarian efforts of a woman in behalf of little children, that brought into existence the savings bank, should have had a substantial acknowledgment on the part of bankers during the past

century that might well have taken the form of provision for encouraging the habit of saving amongst school children. Except, however, in a comparatively few instances, the child has been overlooked in the average banker's program of activities, that are frequently so broad in their scope.

Eleven years ago the Bank of Italy established a school savings department. The representatives of this department now visit 450 California schools every week to cover which eight men travel over 2,000 miles. There are 35,000 depositors in our school savings department, who have standing to their credit over one million dollars.

In maintaining this department, we contend that we are assisting banks in every state in the Union, for if we teach children to save in California, and these children take up their residence in other parts of the United States, as they do frequently, our best information leads us to believe that they invariably continue to save in their new homes.

What we have accomplished in our school savings department on the extreme western border of America, should be a reminder to those who do not see the potential value of a penny or a nickel, that these small coins like the children who possess them, have boundless possibilities, with proper environments. They may well be compared to a certain little creek I once heard described, the "Baby" river that wabbles through the woods of Minnesota.

I cannot help but liken this river to the penny saved by a child, that does not know whether it is going. The river just keeps on, never giving up or quitting until it reaches the place where gravity says "Little Mississippi, do you want to grow? Then you will have to go south." The little Mississippi starts south, while folks look on and say, "Why, Mississippi, you are foolish, you haint got water enough to get out of the county." That is a fact, but he is not trying to get out

of the county, he is only trying to go south, even as the child tries to save. The little Mississippi has not much water, but does not wait for a relative to die and bequeath some water. It has water enough to start south and does that, even as the child who may not have enough money to buy anything, yet has enough to save.

The Mississippi goes a foot south, then another foot. Goes a mile south and picks up a little stream, then has more water. Day by day it picks up streamlets, brooklets and rivulets even as the child through his maturing years should keep accumulating pennies, nickels and dimes, with the aid of his banker. Finally the Mississippi reaches the Gulf of Mexico, even as the child who has been taught thrift reaches his goal by having saved enough to provide for a higher education, or to buy a home or to start in business.

If every school, with the assistance of a banker, incorporated in its course of study, a practical plan of saving with regularity, the Commencement Day of the future would take on a new significance, because the recipients of school honors would have acquired, through the school savings system, at least a spirit of self control that would make its advantages manifest in countless ways in after life.

Once upon a time, there was an old admiral who had been retired by his country after many years of faithful service. He was loath to discontinue serving his beloved native land, so he always carried about a pocketful of acorns which he planted in soil that would insure fertility. Upon being asked why he did this he said, "To help provide oak for my country's ships." If you gentlemen, delegates to this convention of the American Bankers Association, will, like the dear old admiral, help to implant in the plastic minds of children thrift seeds and savings habits, it will react to our country's welfare by developing ideal citizens.

Why Banks Install School Savings Systems

By C. W. LAYCOCK
Miners' Bank, Wilkes Barre

THE evolution of banking and banking methods has been progressive. Instead of the traditional banker; who has been described to us as tall, cool, calculating and aloof, who would permit deposits in his concern and make loans if security offered was unquestionable and the borrower would tell what he wanted to do with the money; and who never made mistakes in counting money—we have today the modern banker—he is genial, he is interested in your affairs, rejoices when you prosper, sympathizes and counsels with you when you have difficult and discouraging problems to solve. He is thoroughly human and he goes out after business.

The Beginning

It is not a great many years since bankers began to realize that, in the aggregate, large sums of money that were needed in business, never found lodgment in banks at all, but were being carried about in the pockets of the people, kept in secret places in the homes or what was still worse, were being spent unwisely. It was then by various methods that they endeavored to bring this money out of the pockets and stockings and have it banked, thus making it available as working capital for business. Plans to induce and encourage savings and depositing in banks by wage earners were adopted and worked with good success. Various devices were used to create and stimulate a purpose and determination to save, but please note that most of these efforts were expended on those who had, to a great extent, formed their habits of life.

Entered New Phase

Now, we have entered a new phase of development, that of creating and encouraging, propagating thrift, by educating the children and young people. It is said that one of the most important lessons needed by the American youth today is that of thrift. As I understand it, thrift does not mean merely saving alone, but as the late Colonel Roosevelt said, "It is common sense applied to spending."

I believe there are two classes of thrifty people: First, those who are so by heredity. In money matters and things material, they are naturally careful and prudent. The bent of these people varies in degree. In some this propensity is so marked, so overpowering, that they are penurious and mean; while in others the inclination manifests itself in a manner that is entirely satisfactory and agreeable.

The second class are those in whom this tendency, this faculty is not so pronounced and may lie entirely dormant unless stimulated and awakened, but when the proper stimulus is given and facilities afforded them, they may become quite as successful as the other class.

When the president of a thrift service company introduced himself and presented a certified copy of a resolution adopted by the Board of Public Education in our city to the effect that his company had received permission to install its system in the schools, and offered us the opportunity of becoming a factor in the operation of the plan, there soon developed in our mind three outstanding reasons why we should accept the proposition.

First, we then realized, but not as fully as we do now, the wisdom of the school directors in making lessons in thrift and the fundamentals of banking a part of the curriculum of the public schools. So far as we were concerned, this decision on the part of the school board was entirely of their own volition. We had nothing to do with it, and I seriously question whether any bank can be justified in exploiting the public schools merely for the sake of getting deposits.

Teacher Cooperation

Any school savings system, in order to succeed, must have the hearty and enthusiastic cooperation of the teachers. If there be an impression that it is merely a bank scheme to make money and the teachers are asked to do this extra work for the purpose, the plan is doomed. If I had time, I could tell you somewhat of our experience right on that point, as this conclusion is born of experience. I do not want to be understood as recommending or advocating any particular plan, but that which was presented to us made its appeal because it so closely approximates regular banking. It uses savings books or pass books rather than slot machines or stamps, and permits the pupil to deposit as little as one penny. Their transactions are visualized and closely associated in their minds with regular banking. The convenience and value of an account in the bank is made real to them when they come to the bank to draw out money.

Psychology

If I had the knowledge and the ability, it would be interesting to discuss the psychology of school savings systems. As I lack these qualifications, we will pass that by with quotations from two authors, some of whose writings I have read recently. One is a medical doctor, a brain

and nerve specialist in this city, recognized as an authority. The other is a psychologist. I will not try to harmonize any contradiction that may seem to exist between these two statements, but simply use them as suggestive of the thought or the principle which underlies the school savings idea.

The medical doctor says that we can make our own brains as far as special mental functions and aptitudes are concerned if we only have wills strong enough to take the trouble. In another place, he said, "Teach the child self-restraint, and you are directly developing his will power. Soon he will be able to take the next step in will development, and win Carlyle's great equipment for life, the ability to take trouble."

The psychologist says, "We are wholly incapable of exercising the will unless the emotion first furnishes it with a goal. We cannot simply will; we must will something, and that something exists in our own minds as an idea."

Opportunity for Service

The application of the thought is apparent to you all. Teach the child right ideas to influence his mind before his brain matter becomes set by the lapse of years.

The second reason that influenced us to assume the expense and take on the labor in connection with the installation and operation of this system was the added opportunity afforded the bank to be of service in the community; the benefits would not be for the present alone, but would reach into the years to come. A thrifty peasantry has more than once been a factor in the financial salvation of France.

Looking Ahead

Third: ten, fifteen or twenty years hence, these young people will be the men and women in business and society in our communities and the theory is that having formed the habit of thrift and having become acquainted with banking methods and having learned from experience the convenience and value of an account in bank, they will, as the business men, the salaried people, and the housewives, become increasingly valuable as bank customers. Of course, all the banks of the community will share in this result, but it is supposed, naturally, too, that the bank in which they first had their account, will be preferred. Even if the latter is not realized, the officers and directors of that bank will at least have the consciousness of a worthy motive transformed into good works.

Every Boy and Girl a Banker

By EDWARD A. RICHARDS
East New York Savings Bank, Brooklyn

THERE are two classes of savings bankers. One would call himself a conservative, and say, "This institution of ours is a semi-philanthropic, unselfish, eleemosynary institution. We have a fine, strong bank. We have been in the business for many, many years. We are glad to have the people come in. If they want to come, we are here, and the doors are open from ten to three, or nine to three, and if they don't want to come, that is their misfortune, and not our fault. We are not going to go out and get them. We are here to serve them if they want to come."

And I looked about and found, as I saw it, that that type of banker was more and more coming to operate an institution which was said to be a cold-storage warehouse for dormant accounts.

The other or progressive type of banker who would call himself progressive, and some might call him radical, would say, "It is true that we have this fine, unselfish, semi-philanthropic institution, but the difficulty is that there are hundreds of thousands of people that do not know it. We will go out and get the depositors and bring them in. We see other people who have something to sell, not nearly so good for the public as that which we have, going out and advertising and taking the money away from them to their loss." The progressive banker concludes: "If we have something real to tell to the people, if we have something real to 'sell' to the people, we should advertise and go out and get the depositors to come in."

Service the Slogan

"Everybody agrees that thrift and thriftlessness are habits, and everyone knows that a habit once formed is hard to break. 'As the twig is bent, the tree is inclined.' Paraphrasing the Bible, if I may, without intending to be sacrilegious, I might say, 'Remember to save in the days of thy youth that the evil days come not when thou shalt say, 'I wish I had what I spent foolishly.''"

"Service" is the slogan of all progressive savings banks. Having those thoughts in mind, that of going out and getting the depositors, the rendering of service, the formation of habits in youth, we stumbled upon this school savings banking system. We were not pioneers in it by any means. Thiry and his associates, some of the latter of whom have been introduced to you today, were the very first who thought of these things. The path was blazed for us, but, strange to say, the fine opportunities that this system gave to the mutual savings banks was to a large extent going begging on the bargain counter. They say fools rush in where angels fear to tread.

If there is any one thing that I want to do here it is to radiate the enthusiasm that I feel for the service that can be rendered through the school savings banking system, that you may take some

of it from me and take it back to the town or the city where you live, and see if you cannot try this experiment as others have done.

Object of School Savings

School savings teaches thrift to the youth. There can be no argument about it. If it is part of the duty of a savings bank to teach thrift and saving and foresight and economy, doubtless the time to do it is when the prospective depositor is young.

Does it also occur to you that through the child you have the very best and finest and most direct contact possible with the parent, and is there any home that needs the doctrines of thrift, and saving and economy more than these homes where there are school children?

In the City of New York, and I think in other towns and cities throughout the United States, you will find the school authorities invite you to come into the school, cooperate with you in the establishment of these miniature savings banks, allow you to distribute thrift pamphlets and little newspapers, and to make speeches to the children, and to send letters to the parents through the children, do almost anything so long as you confine yourself to the education of the children in these doctrines which the Board of Education think so well of.

As Advertising Medium

Do you know any better or cheaper method of advertising your wares? If we were not mutual, unselfish institutions we would not dare to do it, but, being unselfish, semi-philanthropic institutions, we can go right into the schools and talk about our banks, because we know that what we are trying to do is unselfish service to the people of the community.

The medium which we use effectively we call our "School Savings Bank Monitor," a little eight-page magazine or newspaper. We distribute twenty-five thousand a month, ten months a year. That paper costs us a cent a copy, ten cents a year for ten issues, delivered to the home. Those of you who know something about printing, enclosing, mailing, stamping and the uncertain delivery of advertising matter must admit that when you get a good piece of advertising literature delivered at a cent a copy you are getting away pretty cheap. We have discovered that we could not mail two of these issues a year for the ten cents that it costs us to send ten right into the home.

Mechanical Devices Condemned

We believe that the school savings bank system without the educational features attached thereto and as a part thereof is not worth having. We have considered opportunities that have been offered to us to put in mechanical devices, and we have considered it very carefully because they are less costly than the

systems which we employ, but they lack the personal touch, they lack the human element, they lack the educational features, and in our judgment are not worth having.

Results

Some of the results of our system are as follows:

We organized a school savings bank system with a very competent man at its head, eighteen months ago. If you want to establish a school savings bank system, do not do it without first employing a competent man and setting up a competent department.

We have received the enthusiastic cooperation of the board of education through Amzi N. Clark, who has been working on school savings systems for something like thirteen years, and I am glad that I may express publicly the appreciation we feel for what he has done to help us and for what he is willing to do to help all of you men who have school savings banks in the City of New York.

We have sold the school savings bank idea; that is to say, we have opened school savings banks in twenty-three out of twenty-five public schools in our district. Out of the possible twenty-five, we have active banks operating in twenty-three schools. We have twenty-six thousand children saving in these school banks; twenty-six thousand children out of a possible forty thousand.

During the last eighteen months, and largely during the last ten months, there have been opened in our bank by the school children over 6,000 accounts. Children do not open accounts in the parent bank, or in the "big bank" as they call it, until they have saved five dollars, and then as they save additional five dollars in their school account it is transferred to their account in the large bank, and I think that you will be surprised when I tell you that the average balance in these accounts is over \$30, and our accounts indicate that many parents have followed their children into the "big bank."

School Possibilities

There are approximately 600 public schools in the City of New York with a registration of 950,000 children. If schools had been opened in the same proportion throughout the city as in our district, there would be 550 school banks where there are now about 250, but that proportion is not nearly so interesting and amazing as this: If the same number of children had been saving in school savings banks in each school, there would be 700,000 pupil savers instead of 150,000. If the children throughout the City of New York had saved in the same proportion as in our district they would be saving per year \$3,500,000 where they are now saving \$500,000.

One of the teachers called our atten-

tion to this very interesting situation: She found out how many children who had graduated were school savers and how many children who had failed to graduate were school savers, and the result was this: Ninety per cent. of the children who succeeded in their studies and were graduated had school savings

accounts, while only 24 per cent. of those that failed had such accounts. It would seem that those who save succeed or those who succeed save, take it as you will.

We think that our school savings bank work has been largely responsible for a rather gratifying increase in the number

of depositors and the amount of our deposits. In these eighteen months past, in an institution now 54 years old, we have increased the number of our depositors from 18,000 to over 30,000, and we have increased our deposits over 34 per cent. as against an average increase in the Borough of Brooklyn of 8 per cent.

Educational Values of the School Savings Bank

By CLIFFORD BREWSTER UPTON

Provost of Teachers College, Columbia University

I AM not a banker and cannot speak to you from the practical experience of one connected with a savings bank. My interest is in the schools of the country, and I wish, therefore, to speak of this savings movement from the standpoint of the schools. I want to tell you why this movement is worth while for the schools, because some of you may have felt that the school savings bank has not been worth while because it did not yield results commensurate with the time and money you put into it. No matter how much money you have put into it, no matter how much time it has taken to install savings banks systems in the schools, and no matter what losses you have met, your efforts have been worth while, after all.

From the viewpoint of the school, the installation of school savings banks means thrift, and thrift, from the school's standpoint, is a term of very broad meaning. Thrift in all its aspects touches life in every form, and, in fact, thrift in its widest sense touches us vitally throughout the whole term of life.

Educational Opportunities

It is this broad interpretation of thrift in which the school is interested. Happily the school has many facilities for cultivating and teaching this large notion of thrift. In the arithmetic class, for example, we can teach those phases of thrift that have to do with the proper care and saving of money. In the geography class we can present those phases of thrift that are concerned with the resources of this country and their economical use; in the home economics classes we can teach those that have to do with the proper selection and conservation of food, while in the science classes we can teach all these economies that have come about through the modern applications of science to industry.

All these phases of thrift must be taught. Everything you are doing in the school savings bank to teach one phase of the subject is helping to teach these other phases, likewise important. What we are doing in general in the whole thrift movement helps you and what you are doing helps us very materially.

I want to make clear that this subject of thrift is so broad that to teach it fully is particularly the task of the school. By this remark I don't want you bankers to think for a moment that I am suggesting that you should get out of this work. I want you to stay in it, but if you know why this teaching of thrift is especially the work of the school, it will

help you somewhat to know how your relation to this school task can be most effective.

A Complex Habit

In the first place, it is the task of the school because the subject of thrift in all of its aspects is a very complex idea. Thrift is a very complex habit to fix in the minds of children. It is not a simple thing like teaching children to clean their teeth. That is a simple habit, easily acquired, but this big idea of thrift and saving—thrift not only in your personal affairs but also in your country's affairs—this is a very difficult idea to get over. To teach thrift effectively, therefore, means to make thrift a habit which will work automatically like all other habits. The school has as one of its primary tasks the forming of habits in children. It may be well for us to stop a moment to consider what a habit is. Your reading, writing, and arithmetic are complex habits that the school had to form by instruction of a gradually progressive kind in which repetition played an important part. Similarly, your eating, walking, speaking—all these things are habits. Even your thoughts regarding your neighbors or the city or the Federal government may be largely matters of habit. Practically all those things you do easily and automatically are habits. Your life would be very difficult if you did not possess these habits. We can safely say that habits are the most important things we have in this world to facilitate our progress through life. Thrift, therefore, if it is to become effective must be made a habit to which we respond as quickly and automatically as we do to our other habits. Since it takes a long while for the child to acquire a habit we must depend largely upon the school to surround the child with the necessary influences and repetitions which will eventually make thrift a habit.

School and Bank Cooperation

The psychologists tell us that habits are most easily formed when children are young. This is another factor which points toward the school as the place to fix the thrift habit, since the school commands the child when he is young. You all appreciate the force of this argument. You know you do not want old men in your offices. You want young men. The old have their habits formed and you do not get very far with them when you want to fix new ideas.

The school, then, is particularly the place where conditions are favorable for acquiring this additional habit called

thrift. Since the school seems to be the appropriate place to teach thrift, we want to raise a few questions about the cooperation between the school and the bank in this teaching. We need the bank very much. We cannot get along without the cooperation of the bank. We need the bank for certain reasons, and I am going to enumerate one or two of them.

In the first place, any habit that is taught to anyone, whatever that habit may be, is not successfully taught if it is just a matter of talking about it. All habits to be effective in life must be reduced to action. You can talk about handwriting and the crossing of the "t" and the dotting of the "i" as long as you wish, but that doesn't mean that the child will necessarily cross the "t" and dot the "i." You can talk about the cleaning of the teeth, but that doesn't necessarily translate the action, and the daily cleaning of the teeth. You have to establish the habit of cleaning the teeth so that it will be done easily, without effort and without thought.

We talk about thrift in the schools, and always have talked about it. We are talking about it more today than we ever did before, but through the school savings bank we have the daily opportunity to practice thrift, to see the thing before us as a daily example just as we see our fellows reading the morning newspaper each day or taking exercise. Doing what the other fellow does, having the opportunity to do it, and doing it over and over again, these are prominent factors in establishing a habit. Therefore, your cooperation in furnishing the daily opportunity to practice thrift is very important.

Doing It For the Children

In the second place, in forming a habit it is important to bring it in contact with life outside the schoolroom as much as possible. In this your cooperation is also very helpful for the school savings bank necessarily leads the child to have some contact with your bank which is in the busy world outside the schoolroom.

Let me take this opportunity to say that any banker interested in this big movement, interested in the education of boys and girls, your own sons and daughters, can afford to go to the greatest expense and trouble, even financial loss, to put the savings system into the school because of the educational value it will have for the boys and girls themselves. You are not doing this for the extra deposits you bring to your bank. You are doing this for the sake of the boys and girls whom you want to bring up for the next generation to be the right kind

of men and women. You are teaching them habits now which will make their deposits worth while for your banks twenty years from today. So I particularly plead that you do all possible to cooperate with the school, no matter how much trouble you have to take, to make this movement of the greatest educational value to the children.

Now, since we are both engaged in certain efforts to inculcate this thrift habit, I am going to take a moment to repeat certain fundamental laws of learning that the psychologist has taught us. Any sort of learning proceeds according to certain fundamental laws, though sometimes we never stop to think about them. Therefore, all your efforts at promoting thrift, either among children or adults, including your advertising, your drives, or your more quiet propaganda, should have in mind these fundamental laws if your work is to be most effective.

I have no doubt that much of the thrift effort which has been undertaken by banks has had a certain amount of lost motion in it simply because the bank has not followed the principles of effective teaching. The first law of learning points out that if you want to inculcate any habit you shall create on the part of the child or the person who is to acquire the habit, the desire to possess it. That is extremely important. Let them see the advantages of the school savings bank. Let them see the advantages of laying up some money for a rainy day. Don't go at this blindly. There are real advantages in giving the child the right attitude of mind in respect to the habit to be acquired.

The second law of learning states that if you want to inculcate a habit you must supply a certain amount of fundamental knowledge or basic facts concerning the habit to be formed. You do not want the child to form a habit blindly, in a purely imitative way. He should know what he is doing. What is some of the fundamental knowledge in relation to thrift? In the first place, children ought to know something about the safety of

the place in which the money is put, that it is far more desirable that the money go into the savings bank than into get-rich-quick schemes. The schools have to teach that in their work, and in all your efforts you should help the schools teach it. In the second place, we want to get rid of the idea that saving is putting money into a box and never getting any use from it. Some people feel, "If I had that, I could do this, that and the other." Yes, they could. But help to impress this fundamental fact, which you know better than I, that savings is investing, and that the money put into the savings bank is merely put where it can get to work and do something to help the progress and industry of the world. Further, let us make it clear, that not only is your money invested and working, but that you are getting paid for it. The interest that the bank pays you, the compound interest that accrues from leaving your money long enough in the bank, is all to your credit.

Psychologically, I think the present practice of the government in pointing out in its advertising that if you invest in certain government certificates at \$800 you will in five years receive \$1,000 in return, is far better than those devices where the earning power of the money is not pointed out. I am quite sure that during the war we would have sold more Liberty bonds if we had pointed out that a \$100 bond would bring back to the buyer \$200 if he would only put the coupons in the savings bank as they came due and let them accumulate at compound interest for seventeen years. Every time we sold a Liberty bond we should have said, "Loan the government \$100 and after seventeen years you will get back \$200." I have already pointed out that the first fundamental law of learning is the desire to acquire the habit. The second fundamental law is to support this desire with some fundamental knowledge.

The third law of learning states that in acquiring a new idea there must be sufficient repetition, and that is where the school is especially necessary. That

is also where the banks come in. Do not think you can go at this for six months and then stop. You have to keep at it for some time if you want to fix the habit. So the element of repetition, doing the thing over and over and over, just as in advertising, is the thing that counts.

The fourth law of learning states that there must be provision for the practice of the new idea or habit. If you want the habit to be thoroughly mastered you have to give the learner the opportunity to practice it, and there is where the school savings bank becomes a necessity to make a fundamental law of teaching effective by giving the pupils the opportunity to practice the habit of thrift.

And the fifth law of learning reminds us that some sort of satisfaction must result from acquiring the habit. If you have worked all your life to save money to put your son or daughter through college, you want some satisfaction for your effort. Your satisfaction is sufficient if the boy or girl is successful in college. And so with every other habit that we teach. We must see that there is some resulting satisfaction rather than annoyance or disappointment. This is extremely important. It is seen that these five laws are all very human and that they appeal strongly to one's common sense, yet when we actually start to teach a new idea it is surprising how often we ignore them.

The school savings bank from the school standpoint is distinctly worth while. If in any instances it has not been worth while to you in a business way, let me assure you that in an educational way it has been more than worth while, for the school savings bank provides the most practical means for the application of the fourth law of learning, which is an essential step in the teaching of thrift. I therefore appeal for your continuous and hearty cooperation with the schools, no matter how much trouble it may be, in order to give the boys and girls of this country that priceless gift, the habit of thrift.

President's Annual Address

By RAYMOND R. FRAZIER

President of Savings Bank Division of American Bankers Association
President Washington Mutual Savings Bank, Seattle

AT the risk even of dividing your attention at the very beginning, I am going to inflict upon you a few figures, and in so doing, I believe that we will add to our knowledge, and therefore possibly to our power because you know the old saying is that "knowledge is power."

With that brief apology, I will say that the constitution and by-laws of the American Bankers Association provide for four general divisions, including "a Savings Bank Division whose scope shall embrace all matters relating to institutions receiving savings deposits." A majority of the 30,000 banks in the United States actually receive "savings deposits," hence the Savings Bank Division sustains a peculiarly

intimate relationship with all classes of banking institutions. The strictly savings banks no longer have a monopoly on savings bank activities. Publicists and statisticians, however, have clung tenaciously to the idea that no banking institution which transacts a commercial banking business may properly be classified as a savings bank. Practically all authorities everywhere, when dealing with savings bank statistics in the United States, include only those statistics which pertain to (1) Mutual Savings Banks, and (2) Capitalized Savings Banks which do not accept checking accounts.

A few years ago, President William Howard Taft told the Governors of our forty-eight states that of the entire sav-

ings deposits in this country, mutual savings banks held approximately 80 per cent., the remaining 20 per cent. being held by capitalized savings banks. In giving out these figures, Mr. Taft had reference only to strictly savings banks, ignoring savings deposits in the savings departments of national and state banks, and trust companies, because no official statistics were available covering the latter class of institution.

As late as August, 1922, no less keen an observer than our distinguished banker-economist, John H. Puelicher, then First Vice-President of the American Bankers Association, declared that whereas in some foreign countries one-half of the entire population have savings accounts—"in

the United States we have but 99 savings depositors out of every thousand inhabitants."

Now, Mr. Puelicher's figures, like those of Mr. Taft, had reference only to the business of strictly savings banks. Mr. Puelicher obtained his figures as no doubt did Mr. Taft from the official reports of the Comptroller of the Currency. The report of the Comptroller for 1921 shows that the mutual and stock savings banks of the country had on their books about 10,840,000 savings accounts. If that figure represented the total savings accounts in the United States, Mr. Puelicher's statement that in this country "we have but 99 savings depositors out of every thousand inhabitants" would be correct. The fact is, however, that when we consider the combined savings business of commercial banks and strictly savings banks, the number of savings depositors is found to be over 26,000,000 instead of less than 11,000,000; thus, there are about 250 savings depositors instead of only 99 out of every thousand of our inhabitants.

Aggregate of Savings

Also, the aggregate of savings deposits in the United States, instead of being less than \$7,000,000,000 is actually over \$14,000,000,000.

These new figures, which have been very carefully compiled by the Savings Bank Division in cooperation with the Comptroller of the Currency and state officials throughout the country, have a double value: First, they are inspirational; secondly, they emphasize the fact that in many sections of our great country, commercial banking institutions are called upon to assume the functions and responsibilities of savings banks. Incidentally, it is proper to state that insofar as these commercial banks are governed in their savings bank activities by lofty ideals of safety and service to depositors, they are a blessing to their respective communities.

In view of the by-law quoted that the scope of the Savings Bank Division shall embrace all matters relating to institutions receiving savings deposits, it is the duty of the Division to render every possible service to all classes of banking institutions which lawfully solicit savings accounts.

Methods of Encouragement

The Division continues to work diligently to facilitate an increase in the number of savings depositors and the aggregate of savings deposits. During the past year generous contributions have been made by the division to the literature of savings banking—including a paper by our Secretary, Leo Day Woodworth, on "Twenty-five Plans for Increasing Savings"; also papers on "Insured Savings Accounts," "Christmas and Thrift Clubs," "Industrial Savings," "Home Economics," "Household and Personal Budgets," "School Savings Banking," etc., all of which have been published in the JOURNAL OF THE AMERICAN BANKERS ASSOCIATION.

In this address, I shall refer briefly to three methods of encouraging thrift:

(1) School Savings Banking: This is easily one of the most important activ-

ities in which savings bankers may engage. We find in some cities practically the entire enrollment of public school children have savings accounts, while in other places the work is entirely neglected.

The virtues of school savings banking are universally recognized by school authorities, but sometimes the undertaking is delayed because the program of work in the schools is too crowded. If boards of education and teachers hold themselves to be fully educated to the tremendous economic advantage to the nation of directing the minds of the young along lines of property ownership, no excuse based on crowded curriculum would ever be advanced against school savings banking. "Train up a child in the way he should go and when he is old he will not depart from it"—is a Biblical statement of fact.

School authorities would better eliminate one or several standard subjects from the school curriculum than to ignore the opportunity offered in school savings banking to encourage children in the acquisition of funds with which to meet the requirements of civilization. Knowledge is a good thing, but knowledge without thrift is worse than ignorance. The spendthrift is a menace to society. Anarchism breeds readily among spendthrifts. Patriotism waxes strong among savers. Universal thrift will bring happiness and contentment to all our people and establish a nation that can never be destroyed! The sure way to create a nation of savers is to teach school children how to save by providing within the schools practical facilities for the safe-keeping of small sums.

Nation-Wide Study

During the past three years the Savings Bank Division has been especially aggressive in promoting school savings banking and is pleased to record that the total number of pupils reported as participating during the last school year was 1,305,000, as compared with 660,000 last year and 463,000 the year before. A special committee of the Division has made a nation-wide study of the best plans, and will give the bankers of the country the benefit of those studies. It is hoped that school savings banking may soon become universal in the United States.

Secondly: Savings Bank Laws. Does any student of the subject doubt that the best way, after all, to really promote systematic, continuous thrift among the masses is by the enactment of scientific savings bank laws? If so, study the history of savings deposits in the various states: Consider New York, for example. This state has built its savings bank structure so wisely and well that Alvan Markle, who addressed the American Bankers Association in Los Angeles last year in support of Postal Savings Banking, declared that "the savings banks of New York are practically as solvent as the government itself."

As high a tribute might well be paid Massachusetts and other New England and Eastern States.

In New York we find as the result of one hundred years of scientific savings bank legislation, one-third—and in Massa-

chusetts two-thirds, of the entire population, men, women and children included, have savings accounts in savings banks.

In California on the Pacific Coast 500 out of every thousand of the inhabitants have savings accounts in the state savings banks. Why? Because, in California they have adapted the New York and New England mutual savings bank policy to a system of capitalized savings banking. In California the law requires absolute segregation of savings from demand deposits, and the restricted investment of savings funds in high grade securities.

It is a fact that in those states which have the soundest banking laws are found the greatest percentage of savings depositors to population.

Thus it has been clearly demonstrated in the East and in the West.

State's Power

First, that it is within the power of the state more than any other known force to encourage universal thrift by enacting good laws to govern savings banking;

Second, that it is within the power of bankers themselves to encourage and direct such legislation.

As to the segregation of savings deposits, the Division is on record in a resolution unanimously adopted at the Washington, D. C., Convention of the American Bankers Association in 1920, which declares:

That the Division will improve every opportunity for calling the attention of the public, as well as of bankers, to the peculiar nature of savings deposits and the necessity of preventing any situation to arise under state or national law whereby the savings depositor will become, in effect, a deferred creditor of the bank.

No way has yet been discovered to vouchsafe to savings depositors the protection to which they are entitled, except by laws requiring the absolute segregation of savings from demand deposits, and the investment of such deposits in a restricted class of high grade securities, to be held solely for the benefit and protection of such savings depositors.

Third, another way to stimulate thrift is by encouraging the acquisition of homes.

The Revolving Fund

After the Armistice a bill was introduced in Congress to provide a revolving fund of \$50,000,000, to be loaned through Federal Reserve Banks for home building. Fortunately the bill did not pass. It served, however, to arouse interest among savings bankers. What is \$50,000,000 to the savings banks of the country? It is only a fraction of 1 per cent. of their resources of the mutual savings banks alone. It is considerably less than one half of one percent. of the total savings deposits in the banks of the country. Savings banks could, without the slightest embarrassment, establish within ten years a revolving fund of fifty times \$50,000,000 to be employed in the encouragement of home building. Is it possible to conceive of any greater insurance to the stability and safety of the nation, or a more effective means of promoting the happiness and contentment of

our people than would thus be accomplished?

Savings bankers have it directly within their power to make this a nation of home owners, thus protecting against the destructive fires of discontent and radicalism. And from a purely selfish standpoint, that of building up a savings bank's business, it is impossible to conceive of a sounder method than to lend money to people with which to buy and build homes, providing always that the loan carries the privilege of repayment in convenient installments and at low rates of interest on unpaid balances. A loan for home building which includes the partial payment

privilege, establishes a system of enforced thrift, and develops men and women who will uphold law and order under all circumstances.

In America we are accused of "Dollar Worship," and a stigma attaches to our method of teaching the young the meaning of success in life. We Americans get the impression very early that the poor boy who becomes rich is the one to be emulated. And that the measure of a man's success is determined by the value of the property he has collected under restricted ownership.

As the greatest menace to any country is the concentration of wealth in a few

hands, so the greatest boon to any nation is the existence of powerful forces, such as our savings institutions, operating to accomplish a more nearly equal enjoyment and distribution of the wealth of the nation.

Last year banking institutions paid more than \$450,000,000 interest to savings depositors—an amount sufficient to build 90,000 homes worth \$5,000 each; or 140,000 homes worth \$3,000 apiece!

Let us derive durable satisfaction from the knowledge that as savings bankers, we are engaged in a business that stands for the increased happiness and contentment of all mankind.

How Banks Promote Thrift and Saving

BY GEORGE E. BROCK

President National Association of Mutual Savings Banks, President Home Savings Bank of Boston

WE are gathered here this afternoon, representatives of financial institutions all engaged in gathering into our folds the savings of the common people of our nation, approaching the subject perhaps from different angles.

It is but a few years ago, in fact, within my memory and my experience, when a commercial institution would not stoop to take the savings of the small fellow. The mutual savings bank was the only institution where a man of small means could go and leave his money and have it cared for. But there has been a great awakening, so that today the national banks, the trust companies and state banks, the cooperative banks, the Morris Plan companies and the credit unions, are each and all striving for those kinds of deposits which were the sole prerogative of the mutual savings bank forty years ago.

And savings bank men all over our country are now asking themselves, "What more can I do to serve my depositors?" The answer to that question has been so often attempted, it is well nigh impossible to give anything new, but perhaps it is well for me to attempt to state in perhaps a new form, some of the things which are worth-while for us to undertake.

Amount of Service

The amount of service which a given bank will render to its depositors is in a large measure in the keeping of the executive of the bank. If he be a grouch, his bank will very likely keep in the old rut, with a very great danger of being submerged by present day competition. If he be timid and fearful, lest he make a mistake, he will move along the line of least resistance. If he be self-sufficient, there will be hardly anything new under the sun worth while trying; but if he be forceful, energetic, courageous, with a broad vision, he will lead his directors and trustees in new paths, and will succeed in presenting his bank to an ever-increasing number of people, for their help and guidance.

Now the first thing that I wish to mention where we can serve is fundamental. We should so conduct our institution that we can present to our depositors a safe and sound place wherein to rest their money. You may say this is a truism, that it is old. I admit it. It is a doctrine handed down to us by our fathers, but it will ever be new, because it is fundamental in every scheme of good banking.

Then, if we would really serve our depositors, we will see to it that our banking hours are made to conform not to the convenience of the officers and the clerks behind the counter, but to the habits and the convenience of the community in which we live.

Banking Hours

I once knew a mutual savings bank whose hours were from 12 to 3. At 3 o'clock they closed their doors and went home. They settled their cash at 11 o'clock the next morning. But a new day has dawned. Alongside of them came people, a trust company, whose hours were from 9 until they got through in the afternoon, and that mutual savings bank today is among the leaders so far as the hours go.

Did any of you ever notice in the sections where there are large accumulations of people, how much business there is between the hours of 12:30 and 2 o'clock? That means that the men and women are taking a portion of their lunch hour to come and make their deposits. What if the old rule held good—of hours from 9 to 12 and 2 to 4? That has all gone by.

And then did it ever occur to you that sometimes there may be a woman living perhaps 15 or 20 miles from your bank; when she has gotten the noon-day meal and has gotten the children off to school in the afternoon, she takes a train to come to the bank and gets there just after 2 o'clock? Did it ever occur to us that possibly we might stretch that hour of 2 until 3, and thereby accommodate a great many people?

Then again, we will have our banks

just as accessible as possible to the people. I went once to call at a mutual savings bank. They owned their building. I approached that room over a flight of stairs which were well nigh a ladder. On the street floor was a tenant no less than a national bank, which proceeded at once to put in a savings department. I call that mutual savings bank a real philanthropist to his competitor.

Not only that, it is comparatively easy to organize a trust company, a state bank or a national bank. It is no longer easy to organize a mutual savings bank, and if we are to extend the benefits derived from such an organization as that, in every state where mutual savings banks thrive, we ought to see to it that a wise law granting to us branches, becomes effective, because if these large areas of population are not served by us, they will be served by our competitors and we ought to see to it that laws are passed to enable us to make it easy for the people to make their deposits in our institutions.

It has become apparent to many of us in the state from which I come that there must be a change in our method of paying dividends as we call them, or interest, as they are called elsewhere. However much we may believe in the old system of paying dividends once in six months thereby causing many people to lose interest who draw in the meantime, nevertheless with us at any rate, there is a rising tide of new sentiment that is going to compel us ultimately to change our methods.

Payment of Dividends

We will either pay our dividends quarterly and figure over every account once a quarter, or else we will pay our dividends in a manner so that a person having a deposit for a calendar month and having to withdraw can be paid an amount of interest a half or perhaps one per cent. less than the last dividend, and where only a partial amount has been withdrawn, that adjustment can be made at the end of the six months when the interest is figured.

Now, this may seem revolutionary to some of you here. I doubt if you will all agree with this doctrine, but I am quite sure that if you had lived in a community for five years where the savings bank men have been called everything but men, and where a propaganda based perhaps on a grain of truth, but filled with falsehood from beginning to end, has created nevertheless a certain amount of public sentiment—I believe that you would agree with some of us who believe that our law ought to be elastic enough to permit us to meet the new demands of the newly-thinking public in our various communities.

Then again, there are other ways that we can serve. We can do a very great deal in personal service by teaching the people in groups, in industries, in clubs, in schools, in associations of all kinds—gathering them together in small groups and teaching them the benefit to be derived from Christmas clubs, vacation clubs, school savings, budget work and a regular plan for saving.

I think the banks will do well to consider the advisability of establishing a brand new department—call it a Home Service Department, a Personal Service Department, or by any other name, so long as the head of that department is charged with the duty of projecting that particular bank into the community. Where banks are small and feel themselves unable to bear the expense of this undertaking, it might be well for two or more to come together in a group for the purpose of carrying out this work.

Thus far, I have been talking very largely about getting in the new depositor. When he becomes a customer, then it is our bounden duty to treat him in such a way that he will feel at home when he comes within the four walls of our banking room. In order to do this and do it successfully, I believe it to be necessary to gather our clerks around us once in a while and to explain to them the aims and aspirations of the managers of the bank, and to teach them so far as we can by

what method they can accomplish those aims.

I believe this to be absolutely necessary if we are going to succeed.

It is our duty to have as clerks an agreeable, polite, efficient lot of men and women, who, when they serve the people on the other side of the counter, will feel that they are giving them a personal service of their own as well as a service in behalf of the bank of which they ought to be proud.

The farther away we can get from the machine method of treating the human beings who come within our quarters, the greater will be our service to them and the greater will be the success of our undertakings.

There is much work for us to do. We have but as yet scratched the surface. Hence I say to you, arise ye, arise ye, get ye up on to the mountain tops and there where your horizon is broadened, look on the fields for behold they are all ready white for harvest. (Applause.)

School Savings Banking

BY ALVIN P. HOWARD

Vice-President Hibernia Bank & Trust Company, New Orleans

THE history of school savings in the United States during the past five years has been fully reviewed and the statistical information obtainable is on file in printed form with the Secretary of the Savings Bank Division. A casual glance at these figures will convince anyone that school savings is no longer an experiment. As a matter of fact, it is hoped that all of the experiments have been tried, because the classification of the various systems in use shows an alarming number of different plans and a varied amount of success. We have a large country, with many different laws, customs and peoples, so it is to be expected that this variation should occur, because of a lack of cohesion and cooperative guidance. New England has tried one system without result, has abandoned it in favor of another plan, which has already been tried in the South or West and found lacking; the same system elsewhere is an apparent success, while others do not produce results. In a brief way, an examination of the history of school savings shows conclusively that the main trouble is a lack of comprehensive and continental study to determine the fundamentals.

The first fundamental principle to establish is to teach. We are dealing with school children who can learn the alphabet, multiplication table and how to write, in school, the Lord's prayer, the creed and catechism in Sunday School, and table manners, decorum, punctuality and industry, in their home. Quite obviously these children have the ability to learn things that they do not thoroughly understand, if at all, and with the teaching of each of these series of things is associated the immediate surroundings of the school room, the Sunday School and the home, through the medium of the teacher,

the Sunday School teacher and parent. That seems to be how to teach children. Whether it is right or wrong, it seems to be the universal system in this country. Call it a parrot-like method if you will, but the results speak for themselves by the presence of those here in this room, because each of us has learned in exactly the same way. Now then, where do you want to teach thrift to children? The Sunday School is excluded, the home perhaps, but the school-room by all means, because that is the place where outside influence, improvidence and indulgence have no place. They are there to be taught according to school-room standards. Suppose we agree that they should be taught thrift in the schools.

What are the fundamental principles involved in the phrase "School Room Standards?" Observation shows that school children learn in the school-room, and not in the halls, stairways or play yards, and I suppose that is a part of the general subject of "Association," as expounded by Sir Francis Galton, the eminent Professor of the University of London, now deceased. I have watched school children in the school-room, and there is no doubt that their whole expression is different from that exhibited when they are idly passing through the corridors or playing in the yard. Not all of them are attentive faces, and some are quite bored, but most of them are compelled to absorb by the very nature of their surroundings and the habit of associating the school-room with a place where they learn. At least, you stand a better chance of teaching anything in the school-room than you do in any other part of the building. It is humdrum, dull and uninteresting, but the force of routine and habit are ultimately predominant.

So we learn by routine and the natural

conclusion is that thrift must be made a part of the routine curriculum in order to be understood, digested and taken away for permanent use. I do not think that this is theory, and I am certain that it is the case with my own children, and doubtless with many, many others. You can easily recall when school children did not know the words and music of our national anthem, nor were they taught respect to the flag. Times have changed since, and I daresay school children have learned this much to better advantage than we ever did, simply because they have been taught these things in school under the routine guidance of the teacher, even though with the doubtful assistance of a tuneless piano. Do we agree again that thrift can be taught in exactly the same way?

The school board objects, the teacher refuses and some very good men say that school children are being taught so many other things that they do not learn the three R's. There may be a law making the teaching of thrift compulsory, but the objections are there just the same. At this point we must decide who is right, and I ask you as fair-minded persons, without any selfish motive to serve, whether or not the people of our country should be governed in their educational policies by what the school teacher will do, or by what we ourselves think is best? If we subscribe to the first proposition, it is inevitable that the school teacher will teach the three R's and nothing more; but who owns these children, the school teacher or the people of our country? And if we own the children and pay taxes for their education, who has the right to decide what they shall do? Ladies and gentlemen, all of you know that the banks are not engaged in this work for selfish profit. You cannot find many bankers

who will truthfully admit that they have made money out of having the teacher teach thrift. If we hope to ultimately make a profit from this class of business I believe we are entitled to it because the many benefits of national thrift cannot be dealt with so lightly as to place a paltry profit gained ahead of our children to come, when considered as grown-up men and women who have learned to save.

I refer you for specific details on this subject to the printed report before you, giving the judgment of the Savings Committee on this subject. The committee

has worked faithfully for one year as a body, and with equal faith as individuals prior to that time. They, in turn, have no selfish purposes to serve, but are anxious to see that proper guidance be given, in order that we may have a thrifty younger generation, and at the same time place the banks in a position where the economic value of school savings will earn a profit and become a thing of permanence. We must not delay any longer, and we cannot afford to play with the matter. It is either a question that needs

concerted action along fundamental lines or else we owe it to the children to abandon the project in full.

I do not claim that bankers are altruistic in this plan, but I do say that they are Americans, with American children, living in America, and that we must conform to the ideals and principles for which we stand, or else confess our failure. Let this be a brief word to you, but call yourself as judge for what you want. If you agree with us, be determined to see it through.

Industrial Savings Banking

By JARVIS HICKS

Secretary and Treasurer Long Island City Savings Bank, New York

IT is with a very great deal of pleasure and delight that I am invited to say just a word on a very favorite subject of mine. It has been my privilege for the past ten years to go in and about this state discussing the question of industrial thrift.

Industrial thrift, as I take it, is one of the new things that is being foisted on savings banks today. The school savings bank idea is not a young one. We have all listened with much pleasure and delight to Mr. Howard, but it gives me very great pleasure also to say that the first school savings bank deposit that was taken from any scholar in any school in the United States of America was deposited in the Long Island City Savings Bank some forty years ago. I assure you I did not receive the deposit.

Industrial thrift, or industrial savings banking, as my topic is so described, means simply this: In order to get it before you definitely, I have five questions which have been given to me, not once, but a dozen times, probably a hundred times.

Had to Do Something

About seven years ago we had an institution of approximately \$7,000,000. We worked along casually in the factories, and up to and within the time of the armistice we were working along in a very quiet way. We had a very peculiar situation to overcome. Our trustees were giving a great deal of careful thought to what might happen after the close of the war, or such time as its activities or hostilities would cease. Our little bank was busy going along in its own quiet way, but during the past six years, through industrial effort, the most promising feature to the advancement of our bank's business consisted of 10,000 vacant lots. We had to do something. As soon as the war ended we felt—with these thousands of new depositors whom we had received owing to the fact that the people had been earning large wages—we thought it would be well for us to strengthen ourselves so that when this chaotic time did cease and we started to readjust ourselves, the most natural thing that we could expect would be withdrawals, because of the fact that we were located in an industrial city and not with a dense population through

which and by which we could get new business.

It gives me very great pleasure, however, to say that during those six years we increased the resources of that institution from seven million to twenty-five million, in the face of all these withdrawals and adverse circumstances.

Industrial thrift. What is it? How do you set the thing a-going? So that it functions? How does it work? How does it fit in to the lives and activities of a savings bank? What are its possibilities? In answer to the first question, What is industrial thrift? It is simply carrying the gospel of salvation through thrift into these industries and factories where we have 50,000 or 60,000 people employed instead of having them come to you and possibly not at all.

Starting the Industrial Savings Plan

How do you set the thing going? This is very dry. In the first place, it will be necessary to have the name of every industry in your city or locality. I would suggest a card system; on each card I would put the name of the industry and its address, the telephone number and the name of its officers, if possible. The most important man or woman of all with whom you will come in contact finally is the plant superintendent. If he or she has an individual telephone in the plant, get it. After your first introduction you will find most of your work will be with him or her. After that you will want a goodly number of calling or business cards.

Do not make the serious mistake of putting the name of the representative of your bank foremost on this card. Rather put it in this way: "The Board of Trustees of the Watertown Savings Bank." Keep the bank and the Board of Trustees before you and much of the hard work will be made very much easier by the fact that most of the industrial heads, I have found, are trustees of savings banks since only the very best men in any community can serve.

Your representative should be a member of the Chamber of Commerce or Board of Trade so that his acquaintance may be extended to its fullest degree.

Just a word about the man or woman who represents you. In the first place,

he or she must be possessed of salesmanship. But even technical knowledge and salesmanship in themselves are insufficient. He must have a soul. His pay cannot be based on dollars alone, but must be in part at least measured by the satisfaction that the work in which he is engaged has a higher and more glorious purpose, in that it is raising the standard of mankind.

I have found in my many talks to these industrial employees that one of the strongest and best influences for good is to be sympathetic. Your representative must be kind to them. He should inform himself as to their home life, find out what some of their adversities are, and talk along these lines with them. The right kind of a man can help them wonderfully, and gain their confidence. Get them to ask questions, show a kindred spirit, enter into their lives as far as it is humanly possible, and by all means, show them that thrift and regular saving is the biggest regulatory power in the world. Tell them what a savings bank is, and all about it, and how it fits into the lives of working men better than any other financial institution in the world, etc.

The Pay-Roll Deduction Plan

We have used the deduction plan. By that I mean, where the employer deducts from the weekly wages. This is undoubtedly the best method. But we do not confine ourselves to any specific plan. What we want is to start these people saving, and if our plan does not suit, we are quick to accept theirs, to the end that our ultimate idea be carried out.

Solicitation of Savings Accounts

Another very reasonable question is: "How does it fit into the life and activities of a saving bank?"

Up to within the past few years it was considered most undignified for a bank, and especially a savings bank, to enter into any form of account solicitation, and it is my humble judgment that, unless we savings bank men become more alive to the situation, much of the business that rightfully belongs to us will be found in the resources of other financial institutions where nothing is being left undone to procure this business, and

where the law of the land does not give the same degree of protection to these funds, as it does when they are where they belong, on deposit in the several savings banks throughout our state and nation.

Possibilities of Industrial Savings Plan

Another question very properly asked: "What are the possibilities of industrial savings?" To my mind, that can only be answered in part, by analyzing the uses to which savings bank funds are generally put.

Let us consider for a moment some of the more important objects. If we men were to enter into an intense campaign of industrial savings banking, from which channel, yet untouched, millions—yes, billions—of dollars are bound to flow.

I think we all agree that the greatest cause for much of the underlying unrest—bolshevistic ideas, and the like—is due to lack of education, or a better understanding among the peoples of the world.

Will the savings banks grasp this opportunity?

If the cost of living is to be reduced, it will come only in the same proportion as the people will save. Let's help them through industrial thrift.

Over in Long Island City we have many definite cases of rent reduction

where we have been carrying on a very extensive housing campaign. Rents have been reduced materially. This can be traced right back to our industrial efforts, from which source we received the money which enabled us to carry out our plans.

It is the earnest belief of the Board of Trustees of our bank that we have assisted to a higher citizenship over 20,000 persons in the past six or seven years, since that number of people have opened accounts in our bank, which is largely attributed to our industrial thrift and banking campaign. The work seems to show from every angle.

It is our further contention that the man or woman who becomes the proud possessor of a United States government bond or the pass book of any savings bank, or deed to property in this great country of ours, has made the greatest stride in the elevation of his patriotism.

I have called your attention to a few of the possibilities which may be approached through industrial thrift, through the medium of a savings bank, such as: educational advantages, religious advancement, highways, water supply, sewers and disposal plants, tunnels, parks, fire protection, reducing cost of living, reducing rents, higher citizenship, more intense patriotism.

Think what the savings banks have done in one single item of \$925,000,000 in railroad bonds, to extend transportation facil-

ities and its contribution toward the industrial development of our nation as a whole. There is no end to industrial savings possibilities.

But leave to the last the greatest of all these. The religion of the world is inspired with natural growth. Not only is it the cornerstone and the underlying strength of our institutions, but that medium of power by which we shall all be measured, as to what use we have made of time and opportunity. It has to do with the highest and noblest quality in man's possession.

Up to this time, all to which I have referred has been accomplished through the voluntary act of a depositing public.

What may we expect from a body of men as are here assembled, set to work intensively, either going or causing some one to go, into every industry of our country, backed by thousands of the very best men in our land—I refer to the boards of trustees of the several savings banks.

Gentlemen, in my humble judgment no living man has the power of mind to estimate, even in part, what industrial thrift and savings banking possibilities are. Let us wax strong and go forth and take our rightful position in the world of things. Industrial thrift means opportunity. Industrial thrift means work, my fellow bankers. Are you ready to accept your share? I believe you are.

Savings Bank Advertising

By VICTOR A. LERSNER

President Savings Banks Association of the State of New York; Comptroller Williamsburg Savings Bank of Brooklyn

IN common with at least some of those who have preceded me, will ask your indulgence while I read what I wish to bring before you.

To ask me to discuss bank advertising is only to take advantage of my deep interest in the subject, and, at the same time, expose my limitation of knowledge thereof.

When we think of the term advertising at once find our thoughts running towards publications, and particularly newspapers. While such methods are of unquestionable value in their own way, they are and can be only a part of the whole, if we will interpret advertising in its broad meaning and full application to our banks' advantage. To do this we must consider advertising in its dictionary sense, which defines it as "making known by public notice—to commend to the public."

Exactly What is Offered

To offer a viewpoint of the substance of advertising is to describe it as something that purposes to create an impression on those to whom it is directed and the degree to which it accomplishes this basic idea determines its elemental merit. But the principle has only been partially established unless the impression is capable of effecting action and it is through the combination of the elements, impression and action, that the intent of advertising becomes a reality. When this action is obtained it is imperative to both

retain and extend it by seeing that the advertised article is exactly what was offered, and the item in our case being service, we must provide the personal equation that answers to its dispensing.

I feel that any and all printed and display efforts and effects will only be a fractional accomplishment of advertising purposes unless generously supplemented by human quantities, who, by their conduct of our banking machinery, will be actual advertising mortals, and it can only be through a coordination of the animate and inanimate factors that we can sensibly expect to obtain an effective advertising result.

According to Merit

The field of printed advertising is limitless, as all bank men know, but my personal estimate of the relative merits of the most common forms in this Division is something after the following order: Pamphlets and their many varieties, billboards, newspapers, calendars, blotters and magazines; the order of selection being based on the most advantageous means of putting a message before the public. While I give full recognition to the publicity man and copywriter, their calling, after all, while a dignified profession, is not a science—a statement readily proved by submitting the same matter to a number of these accomplished persons with their unvarying exception to such details as are expressed in their dialect of "lay-out, white space, the re-

words, position, type face, illustration, margins, borders, etc., etc."

But anyone seeking to secure the most serviceable advertising cannot ignore any of these recognized items of design and it is only by their competent employment that we distinguish the effective from the primitive and the professional from the novice.

I cannot resist giving my estimate of the most proficient kind of bank advertisers by declaring in favor of men trained in bank work who supplement this experience with diligent advertising study. Concededly this combination of ideals is not readily secured, but it is well worth striving for. However adaptable a general advertising expert may be, he cannot interpret the meaning of a bank's needs, nor grasp the true psychology of the public to a degree equal to the aforesaid sort of bank-trained man. He is the one blest with the means of putting the message over, which concededly is the *sin qua non* of the entire question.

Judged by Our Deeds

Leaving the printed for the personal element, I submit the primary thought that the most consummate order of printed methods can only be conserved to the extent to which our banks are becomingly conducted by all those who come into immediate contact with the public, for we cannot expect to escape the influences and results of being judged and measured by our deeds, rather than by our words.

One factor in our common plan of operation which stands out as a conspicuous example of my contention is, the new account teller, because of his being at the junction point of the depositor's initial touch with the bank, and here we venture all of that valuable asset that concerns itself with first impressions. Too many of us know the extent of our internal weakness in this respect, but various considerations deter us from effecting curative methods. The prime cause seems to me to be the too prevalent consideration of seniority with a corresponding neglect for merit and the force of this faulty practice only comes to us when changed conditions and new influences cause us to seriously seek advertising, whether it be as a means of counteracting adverse and contending forces or to something that is responsive to a change in bank management or administrative direction.

Favor Advertising

Bringing the subject back to the definition as meaning, "to commend to the public," it would seem that savings banks have both a right and a duty to favor advertising if they are to fulfill their true mission as protagonists of thrift. Any agency that has real advertising value, should be made a part of savings bank development. Not the least of recent extensions in this respect is the work being done by the Women's Department, under such titles as "Home Service," "Home Economics," "Personal Service Departments." This new function has provided the facility for giving a real human character to our banks, a something that has been regrettably absent in our affairs, and many of us see a great usefulness in these departments, in that they furnish the necessary answer to so many of our previous unsatisfied needs.

I plead to being a radical on the broad subject of advertising, but feel that few, if any of us, have begun to invest in the infinite opportunities that merely need our intelligent cultivation to make them mutually profitable to the public and our institutions.

Dollars for Seed

Some one has recently published the result of a study as to the consensus of relative advertising value of the general and human elements which shows about a 50-50 per cent. decision. This verdict may run true to actual conditions and would seem to prove how slight has been our attention to the personal portion of our ambition to develop our banks. It seems to be a human characteristic to conclude that we must seek external ways for the realization of our wants, rather than believe they are internal problems—analyzing our own immediate conditions seems less attractive than accepting some prepared plan that is promised to fit every situation. Envy the greenness of our neighbor's grass leads to spending dollars for new seed rather than dimes for more sprinkling.

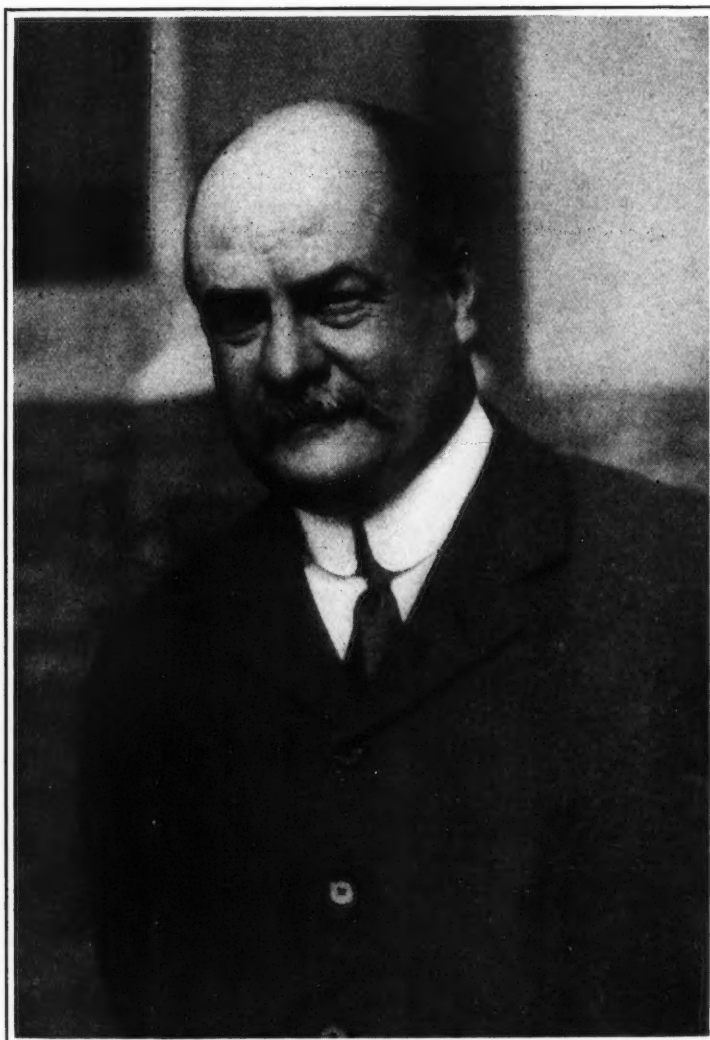
How many of us have ever compared the number of hours we extend to interesting salesmen offering wares of un-

known usefulness and that which we expend in trying to discover the golden nuggets and uncut diamonds among our employees? Could we not with great profit measure the comparative investment value of money now spent for general advertising material and what some part of that sum would return to us if devoted to increased salaries and sustained by a free spirit of encouragement and cordial suggestion to the members of our working force?

In building an ideal bank, I would construct it with human integers who would so glory in their bank and work that they would be active agencies for developing their institution during time that would not only include every minute in the bank but many hours outside the

banking room. Give me a force of bank rooters who had substantial reason for respecting, as distinguished from roasting, their superiors, and I would be content with this, if I were only allowed one of two quantities.

Not to be false in my logic or reasoning, I repeat my allegiance to advertising in its freest interpretation, but summarize my meaning in stating it should be a proper admixture of judicious outside ingredients and one that consisted of a human portion which so respected their work by reason of sympathy and example of those in official position that they would at all times be nimble salesmen of their bank through courtesy and capability, and thus not leave the marketing of inherent virtues to outsiders.



NICHOLAS MURRAY BUTLER
President of Columbia University
(Dr. Butler's Address appears on following page.)

Paul Thompson

Thrift and Thriftlessness

By NICHOLAS MURRAY BUTLER
President of Columbia University

IT is a great privilege and pleasure for me as a New Yorker to share in the welcome which has been offered not only by the bankers of this community but by its citizenship and by its press, to this very representative company of visitors from all over the United States.

You in particular are, by reason of your relation to the business of banking, by reason of your character and skill, directly the trustees for the savings of tens of millions of Americans, and it goes without saying that because of that fact you carry a very heavy load of obligation and responsibility in this country.

When your President and Secretary did me the honor to ask me to speak here for a little time this afternoon—and I am going to give you a practical example of thrift—an examination of our program indicated that it might be worth while and perhaps appropriate to say something about the larger aspects of thrift and thriftlessness and their significance in the life of the American people just now.

Wilkins Micawber

So far as "Thrift and Thriftlessness" is concerned, we need go no further than the pages of Charles Dickens for the classic example. In his novel *David Copperfield*, he created the wholly inimitable character of Wilkins Micawber, and the story of Wilkins Micawber is the story, more eloquent than any that I could tell, of the difference between thrift and thriftlessness and what happens when one is substituted for the other.

You remember that Micawber in offering counsel to the young Copperfield said with that grandiloquence that was characteristic of him: "Annual income 20 pounds; annual expenditure 19/6; result happiness. Annual income 20 pounds, annual expenditure 20/6, result misery. The blossom is blighted, the leaf is faded and the God of day sets upon the horrid and dismal scene and you are floored forever as I am."

A Perfect Picture

It would not be easy to improve upon Mr. Macawber's picture of what happens when thriftlessness is substituted for thrift. In preparing myself to speak to you this afternoon, I had occasion to look into some of the recent statistics of our nation, and I confess to have been very much surprised to find how thrifty are our people in the way of money, when contrasted with their thriftlessness in so many other ways, and what I wish particularly to point out is the necessity at your hands and with your cooperation of carrying the lesson of thrift in respect to matters of money, out into the larger area of thrift in the conduct of our political institutions, the instruments of civilization.

Thrift Data

It astounded me to discover that there are 40,000,000 holders of life insurance policies in the United States. I knew the number was very large but I was not

prepared, perhaps you were not, for so huge a figure as forty million.

Now, after making all allowance for those who carry more than one policy, it is perfectly evident that an astonishing proportion of our adult population is sufficiently thrifty to take that much thought for the future. We are paying in this country three billion dollars a year in premiums for insurance of one kind or another, and more than half of that is paid in premiums for policies of life insurance.

That would indicate that substantially our whole adult population had been gathered into the net of thrift, had been led to take thought of tomorrow, of the needs of a dependent family, for the education of children, for the day of illness and possible dependence, and for the thousand and one happenings of an unfortunate kind that may come to us in this life.

But that is not all. Your own secretary says, producing the very latest statistics on the subject, that one-half of all the deposits in banks and trust companies in the United States are savings deposits, and that their amount is over \$16,500,000,000, distributed among over 26,000,000 accounts. Why, those figures are perfectly appalling. They were inconceivable a generation ago or two generations ago. Of course, probably there is almost complete duplication between the 26,000,000 and more who have savings accounts, and the 40,000,000 who have life insurance policies, but it only indicates that the habit of thrift has gained a very strong hold on our American population.

Examples of Thriftlessness

On the other hand, do you realize how careless we are of many human values, particularly how shockingly careless we are of human life? In San Francisco the other day I listened at the meeting of the American Bar Association to the reading of the report of the Committee on the Enforcement of the Law, and they stated in that report that there were some 9,000 illegal killings a year in the United States, murders—three, four and five times as many in proportion to the population as is the case for instance in Canada, separated from us only by an imaginary line.

Do you realize that in the United States there is one death from accident every six minutes night and day? The population of a city of considerable size, somewhere between 75,000 and 80,000, wiped out in the United States every year by accident! Very many of which accidents are preventable by the same kind of forethought and the same kind of foresight that has led to this stupendous development of life insurance and of savings banks accounts.

Life insurance is growing eight times as fast as the population. Can that be said of any of the applications of thrift in the other fields to which I refer?

We are singularly wasteful of human values of every sort. We take pains to gather together wherever we can the re-

sults of past experience of human endeavor, of human experiment, of human undertaking. We collect great museums; we build huge libraries and we bring into them great aggregations of learning which tell us the story of human experiment, human success and human failure, human attempt to solve these problems by which our age, our generation is confronted.

How much use to we make of them? You and I are constantly solicited to try all over again social, economic and political experiments that have been discredited for from 500 to 2,000 years. That is not thrift; that is thriftlessness.

Thriftless Social Experiments

When we are told that after all that has happened in the development of free institutions, in the building of civil liberty and its protections, in the institution of private property, in the judicial protection under our constitution of public law and private rights, when after all that we are told that this means nothing, that we must begin again, that we must put the majority in the place from which our fathers dispossessed the tyrant, that we must shackle ourselves so that liberty shall not be permitted to exert itself to develop capacity and to gain property, when we are told that we must throw down and attack the courts and the judicial protection of public law and private rights, then, Mr. President, I say that you might just as well pour your millions and hundreds of millions of savings in the sea.

What use, what possible use will it be for us to pile up life insurance, to pile up savings banks deposits, and to go the way of Russia? What possible use, what protection can be had from thrift in one narrow and restricted field, however important, if we have no care for those great achievements which represent the thrift of those who went before us?

If there had not been men rich in ideas, strong in character, fearless in courage, intrepid in zeal, it would not have been possible for you to maintain the institutions which you conduct or for these tens of millions of Americans to lean upon them as sources of strength and dependence in respect of material things.

It is a profound truth and no rhetorical figure that unless we are sparing and thrifty in respect of intellectual and social and political values, we shall have no opportunity in the long run to use the results of our thrift in the field of material things.

The Attack on Private Property

We need a great stirring of the spirit on the part of the men of affairs of the United States. There is no sadder sight than to see antagonism growing in a democratic society, taking on the form of class consciousness and class hatred, antagonism growing between those who have a little more and those who have a little less.

Only a few weeks ago when some of

our industrial disputes were at their height, I listened on the Pacific Coast to an impassioned attack upon the millionaires who own the railways. That set me to thinking and I wondered who they were, and then I realized that instead of the millionaires owning the railways, the ownership of the railroads as represented by their bonded indebtedness and far the larger portion of their stock issues is in the hands of the holders of these life insurance policies, the depositors in the banks and trust companies, these millions of Americans who by their thrift have saved of their material wealth and have entrusted it to men of capacity and character to care for and invest.

Why we have at this moment a public ownership of the railways of a truly American kind that is unprecedented in the history of the world in respect to any great enterprise or any great public utility.

Millions and millions of Americans own the railways with their savings, here a little and there a little. When those who have not thought attempt to array class against class, we find they have completely overlooked one of the ruling elements in this problem.

Thrift to Solve Industrial Problem

One other point. I have long felt and have often said that thrift offered the one certain solution of our fundamental industrial problem.

I mean this. Before what is called the industrial revolution took place, that is before the development of steam and electricity and the growth of the factory system and the concentration in great cities of large numbers of wage workers—all that is only 125 years old or less—before that took place the relation of the workman to his job was one that was so personal and so direct that he was able to take an interest in it and to regard it as his. He could have joy in the job as a finished product of his hands, whether he made it at home, whether he made it at the guild center, or whether he made it in a little group.

Then came the great factory system, the division of labor, the separation of functions as in the printing of cottons, or the making of shoes, and the workman found himself brought simply to the constant repetition, many hundreds and thousands of times, of one mechanical and uninteresting act. He naturally began to think much more about getting free from that than about completing it. He naturally looked upon that as an alien undertaking to which he had no personal relation; he could not point to a finished pair of shoes or a finished bolt of cotton and say: "I did this." He could only look upon a thousand boxes as they went out from the factory and say: "I put on the heels," or "I put on the red part of the pattern."

The consequence is that as the man became alienated from interest in his job, he became alienated from everybody related to what is at the bottom a cooperative undertaking. If we are going to lessen the sharp incidents of the industrial problem and its danger, we have got to get back to the wage worker's joy in his job, to make him proud, happy and satisfied when it is well done, because he has done it. And we have got to substitute for the rather crude and mechanical notion of employer and employed, or the still cruder and more mechanical notion of capital spelled with a large C, and labor, spelled with a large L, we have got to get back the notion of industry as a cooperative enterprise between human beings—men and women with blood, with hearts, with souls, with ambitions, with needs, not mere parts of a machine, but cooperating together in the production of that which is the end of an industry.

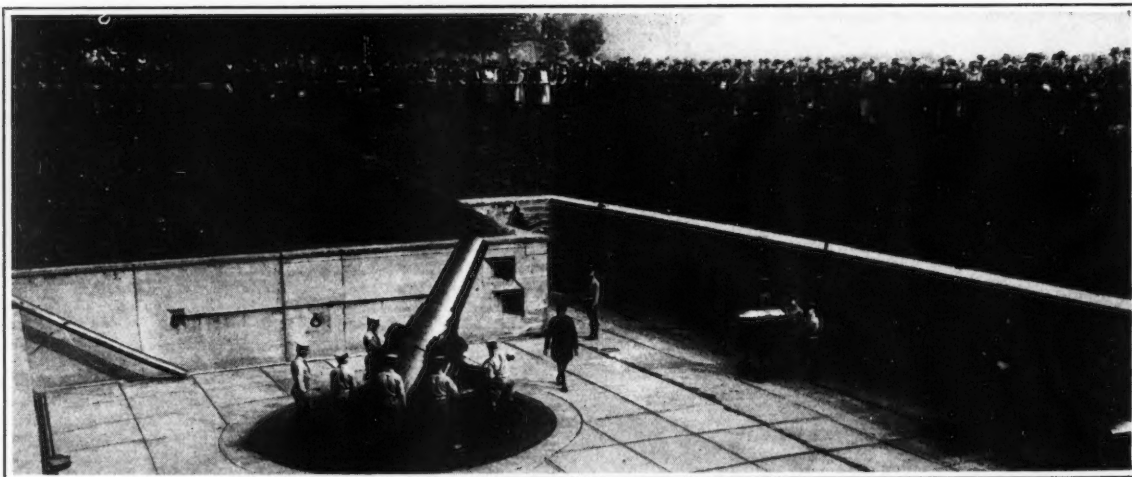
We must regard industry as a cooperative undertaking between those who work with their heads, those who work with their hands and those who work with their savings, and the sooner we can by thrift make the man who works with his hands also a man who works with his savings, the sooner we will get back to joy in the job.

There should be no more inviting and

no more useful place for the man who works with his hands to put the results of his thrift than the enterprise in which he is a cooperating agent. That is beginning. It is beginning in some large corporations. It ought to spread, and I hope it will spread, to many smaller ones of a different type, but believe me, gentlemen, until thrift is made the bridge to enable what is now labor to become capital, to destroy the essential difference between the two, and to destroy the joy in the job—because the wage worker feels that it is his, he has some control over it, some part in it, and can identify himself in relationship to it—until we do that, we shall be guilty of thriftlessness in one of the largest and most far-reaching undertakings of modern society.

You cannot, you dare not permit present conditions in England, in France, in Italy and in the United States indefinitely to continue. It would be sheer stupidity for us to do so, to say nothing of the thriftlessness, the waste, the extravagance on a huge scale that that would exhibit. It is necessary, and you sitting here in this room today are in positions of strategic importance to guide and influence public opinion in these respects. It is necessary to get that conception of thrift and thriftlessness which does not confine it to monetary savings or to insurance, but which will use those as models or types for its application to the large field of ideas, of political institutions, or social and of industrial endeavor.

That is the message which I have had in my heart to speak before this great body of men of affairs this afternoon. I have wanted, if I could, to lead you to think of the larger implications of your own business, of the enormous social and political industrial importance of the principles that underlie the institutions in whose prosperous conduct you are engaged, and now as a result of my thrift, I have in my possession something which very few New Yorkers ever have—I have forty-five minutes of spare time which I present to this audience with my compliments.



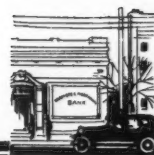
THE VISIT TO WEST POINT

Bankers and Their Wives Lined Up Along the Bank of the Huge Mortar Pit Watching an Artillery Drill by Cadets

Underwood & Underwood



STATE BANK DIVISION



Branches, Farm Finance, State Bank Problems

BRANCH banking, farm finance, cooperative marketing, par collections, and practical problems in state banking were the features of the sixth annual meeting of the State Bank Division of the American Bankers Association, held at the Hotel Commodore in New York Monday afternoon, October 2.

Branch Banking

The subject of branch banking was brought forth in the address of President Rudolf S. Hecht and in the report of the Federal Legislative Committee. Mr. Hecht spoke on the subject as follows:

At the convention in Los Angeles last year our Division went on record as being opposed to branch banking in any form. In the meantime this problem has assumed nation-wide interest due to the recent efforts to expand the branch banking system on a rather large scale in some of the Middle Western States.

It goes without saying that none of us want to see our independent banking system put in any jeopardy but, with the exception of one or two states, there probably is no real justification for the fear of some of our banks that their autonomy and independence are in any danger and that we are threatened with any sort of monopolistic control.

We should not permit the issue to become unduly confused, for there is all the difference in the world between the unrestricted expansion of branch banks on the English and Canadian principle and the permission to operate several offices within the same municipality in which the principal office is located. The one really does carry with it the danger of too much concentration of power in the hands of the few. The other is usually merely a convenience to the public—the bringing of the bank to the people. After all is said and done, the real place to make a fight against the extension of the branch banking system is at the state conventions and the sessions of state legislatures because nothing that we can do at this meeting can change the laws of those of the states which permit banks to operate more than one business office.

There is, however, one aspect of the case in which all of us have a very direct interest, and that is that we should insist that the Federal government absolutely prohibit national banks from invading the territory of state banks with "additional offices" or branches in states where the state law denies the same privilege to state banks. We believe that it would be quite unfair to permit banks chartered under the Federal law to compete with state chartered institutions on such unequal terms and the members of our Division should protest most emphatically

against any interpretation of the law which would make possible such competition in the states where our own members are denied the same privilege.

On the other hand we see no occasion for any undue heat and bitterness in the discussion of this subject nor is there any good reason why this question should be permitted to split the American Bankers Association into two hostile camps. It would appear that the proper course to pursue is to reiterate in no uncertain language that our Division is opposed to any development of the branch banking system on the English or Canadian principle, especially as in passing such a resolution we will but confirm the action taken by the Kansas City Convention of the American Bankers Association in 1916, and we believe, moreover, that the vast majority of the membership of all the Divisions of the Association in attendance at this convention will favor the passing of such a resolution.

Federal Legislative Committee

The report of the Federal Legislative Committee, consisting of Guy E. Bowerman, chairman, E. D. Huxford, Grant McPherrin, M. H. Malott and W. P. Sharer, was read by the deputy manager in the absence of the chairman. It reviewed the activities of the past year and concluded as follows:

I approach, with some hesitation, the question of branch banking, although it was discussed at the Chicago meeting, where there was an absence of complete harmony of thought, but, after all, no such divergence of opinion as to prevent an amicable agreement.

No members of the committee present have been in the past, are at this time, or expect to be in the future, advocates of branch banking as an integral part of our great financial system. At the same time we all acknowledge, I think, that we are confronted by a fact and not a theory. We recognize that branch banking has arrived. We recognize that ten or twelve states either allow or authorize state chartered institutions to engage in branch banking, and, such being the case, we believe there should be no discrimination against national banks in those states. The spirit of justice and right, the spirit of fair play, and the American spirit of equal opportunity make no other attitude tenable.

But this committee, and this Division, stand unanimously for the protection and wellbeing of that great body of American citizens designated as the "Small Town Banker," who must abandon his chosen profession and seek other means of livelihood if branch banking is not in some way limited.

The question now is not, "Shall we have branch banking?" but, rather,

"What shall we do with branch banking?" It isn't "going to arrive." It's here, and those who do not look this fact squarely in the face are, I think, standing in their own light.

There will be no attempt, in this report, to discuss the merits or demerits of this mooted question. The American Bankers Association is on record as being opposed to branch banking. This Division has taken a very positive stand against it, and yet the practice grows rapidly and is gaining ground almost daily. It has ceased to be a matter of ethics, resolutions or recommendations, and has resolved itself into a matter of Federal and state legislation—state legislation, in fact, almost exclusively, and this rests largely with the bankers in their respective states.

If you do not want branch banking in your state, since you are alive to the probabilities of the situation, you should use your best efforts to prevent the enactment of legislation which makes it possible. If the present laws are unsatisfactory, endeavor to correct them by elimination or amendment.

Both this Association and this Division are bound by resolution in general convention and will, I am positive, use all honorable means to protect the interests of the unit banker who constitutes such a majority of its membership, but, as I see it, the future expansion of branch banking or its regulation and control rests with the bankers themselves in their respective states.

Personally, I have two well-established convictions; the first of which is that it is supremely selfish and unworthy of us and just bordering on cowardice to deny national banks the privilege which their competitors, the state banks, enjoy; second, that just ordinary business prudence and foresight as well as our own protection in the future prompt us to direct our effort towards circumscribing branch banking to cities of one hundred thousand population or more and limit them to this field.

Again, I feel sure that the city banker, in his espousal of branch banking, does not seek to monopolize the banking business of the country, but is actuated by the sincere desire to more effectually serve his community, and if we will aid, or at least not oppose, this worthy ambition, I have sufficient confidence in the fair-mindedness of this class of bankers to believe that they will respect our wishes in return and leave undisturbed the field now occupied by the smaller banks.

Mr. SCUDDER (Passaic, N. J.): I move that we strike out all that part of this report which refers to the personal opinion of Chairman Bowerman. While the chairman of the Federal Legislative Committee states that branch banking has arrived, he does so only as to the twelve states which have adopted branch banking.

Branch banking may have arrived in the twelve states he refers to, and his recommendation is excellent which says that if the present laws are unsatisfactory, we should endeavor to correct them by elimination or amendment. That is fine. I echo that sentiment, but he winds up his report by practically recommending that we adopt in principle the branch banking for all the states to the extent of cities having 100,000 population or more. This he frankly admits is a personal proposition, a personal suggestion on his part and has nothing to do, it seems to me, with the thought which comes before us as a convention for adoption. I trust I will have a second to my motion that all of that portion of his report which begins, "Personally I have two well-established convictions" to the end of the report, be stricken out.

PRESIDENT HECHT: Gentlemen, may I be permitted to interrupt Mr. Scudder for just a moment? I would like to make this suggestion, that there will be plenty of additional discussion of the branch banking problem before this meeting adjourns. My suggestion is—of course it is up to you to decide what you want to do—to let all of the reports be read and filed, not approved, and that leaves open all these matters for future discussion. I am afraid that unless we do do that, our whole program will be out of joint. I want to assure Mr. Scudder that there is no desire to cut short the discussion on that subject, because I know from the program that is before us that you will hear a good deal more about it in the course of the afternoon. If that is satisfactory to you, Mr. Scudder, I would offer that suggestion.

MR. SCUDDER: Mr. Chairman, I would be very glad to adopt that suggestion, were it possible for me to be all the time at this meeting, but I am here away from my duties and I really ought to be in the bank right now. My cashier is away and I am very busy, and particularly interested in this part of the convention's exercises, and it seems to me that it is hardly fair to postpone this, because I cannot be here later, and I don't see why we should not take up a simple proposition of that kind that is so plain to us as an organization representing state banks, because it is as plain as the nose on a man's face that the report is a report of the committee until it gets to the personal equation.

PRESIDENT HECHT: It is only fair to say, Mr. Scudder, that while Mr. Bowerman unfortunately used the personal pronoun, that that report is signed by all of the members of the committee. I am not trying to cut short the discussion on branch banking. I only appeal to you, for the purpose of expediting our program, to let that subject come up all at one time instead of having partial discussions at different parts of the meeting. I am, however, ready to entertain a second to Mr. Scudder's motion, if there is one.

MR. RATHJE (Chicago): This is the time to consider that because we do not want that part to go into the report, if we can help it. Many of us have come away from busy banks where we ought to be at the present moment, to protect our interests. We are all here for that purpose.

This convention has attracted great attention because it is the most momentous question of the day and we must protect ourselves in every step we take. Therefore, I take the privilege of seconding Mr. Scudder's motion.

PRESIDENT HECHT: You have heard Mr. Scudder's motion, that the last two paragraphs of the report of the Federal Legislative Committee be stricken out and that the report be then received and approved.

The motion was carried.

The Committee on Resolutions, consisting of C. S. McCain, Roy O. West, F. T. Hodgdon, Grant McPherrin and W. B. Wells, subsequently submitted a report containing the following declarations, which were adopted:

"Be it resolved, that the State Bank Division of the American Bankers Association views with alarm the establishment of branch-banking in the United States and the attempt to permit and legalize branch-banking; that we hereby express our disapproval of and opposition to branch-banking in any form in our nation."

"Resolved, that we regard branch-banking or the establishment of additional offices by banks, as detrimental to the best interests of the people of the United States. Branch-banking is contrary to public policy, and violates the basic principles of our government, as it concentrates the credits of the nation and the power of money in the hands of a few."

Par Clearance

PRESIDENT HECHT: As you are aware, the personnel of our Division's Committee on Exchange is almost identical with that of the Committee of Five of the American Bankers Association appointed to consider the same subject. It appears at this time as though this long drawn out controversy can probably be settled on some basis fair to all concerned just as soon as the two vacancies now existing on the Federal Reserve Board have been filled. We believe that the officials in Washington have come to realize that it will be far better for the Federal Reserve System and for the banking fraternity at large if certain features of this problem be made voluntary instead of compulsory, and that the economic good which it is designed to accomplish can better be brought about by evolution than by revolution. Certain it is that a working agreement of this sort will go much further toward a permanent solution of this problem than acrimonious debate, legal controversies, and even legislative enactments in some of the states. The next report is one of considerable importance and will be presented by a gentleman who has given a great deal of his time and thought to a problem in which a very large percentage of our membership has been interested for many years—the report of the Committee on Exchange by Mr. Claiborne.

CHARLES DE B. CLAIBORNE: It is not my purpose to abuse your good nature by taking all of your valuable time in a long discussion on the technical or academic side of exchange on checks. Your committee feels that as we have discussed this matter at several meetings before this present one you should therefore be now prepared to act, but we likewise feel that we should advise you as to the status of the litigation. A suit was filed

in Atlanta, in 1920. That suit finally went to the Supreme Court of the United States. That court said: "The United States did not intend by that Statute (Federal Reserve Act) to sanction this sort of warfare upon legitimate creations of the states."

That decision was the culmination of an action of which we complained and for which we said the Federal Reserve Banks and Board at Washington were to blame. The offenses that we complained of existed in a number of districts. In the case of California, the Court said: "The testimony here impels me to the conclusion that the Federal Reserve Bank has gone to the length of endeavoring to coerce the Brookings Bank to accede to its demand that the latter bank agree to remit at par. Its purpose is obvious, etc."

The Court came to that conclusion and cited a telegram from the manager of the Portland branch to an officer of the Federal Reserve Bank at San Francisco, California, which said: "If we continue to accept exchange we are of course extracting the sting from our direct collections."

You gentlemen know well enough what that means. The contention of your committee has been for years that the purpose of the Federal Reserve Banks and Board at Washington in attempting to collect checks over the counter was not merely for the purpose of collecting the checks but was absolutely for the purpose of intimidating, annoying and forcing that bank to remit at par, and up to the time that this letter was found, we did not have the positive evidence, but I believe that you gentlemen should be convinced of the charges that we made when we offer this letter in evidence and it is confirmed by the judgment of a Federal Court.

That same court quoted the following: "Shortly after all the banks in the country have had time to consider becoming par voluntarily, it will be necessary to use more forcible methods with the few banks that refuse to pay their checks at par." In other words, our contention had been that it was the purpose of those banks to force non-member state banks to par. That letter is signed by the manager of the Portland branch of the San Francisco bank.

One of the letters which appeared in the Atlanta suit, which shows you the petty and the small way that these gentlemen attempted to force that scheme of par collections over, is best evidenced by this letter which was signed by the Deputy Governor of the Atlanta Bank. It is as follows (this is addressed to a small country bank as an inducement): "It occurs to us that in the event they do not agree to remit at par you would be interested in handling for us at par their items. This would probably give you control of the clearings on your city as well as the benefit of the information that may be derived through the handling of checks upon a competitive bank."

Now, here is a government bank that suggests and is guilty of this type of banking. I leave it to you gentlemen if this Association can long stand these kinds of methods without taking some action.

You will find besides the Atlanta case and the San Francisco case, the Kentucky case. That case has been argued and submitted since the month of January, but the judge has not as yet given us a decision. The North Carolina case is now before the Supreme Court, but in the four districts we still have an injunction against the Federal Reserve Bank against collection of checks at par on non-member banks.

McFadden Bill

Your committee is asking for certain legislation, not because we are uneasy as to the outcome in the courts, but we feel that if we could get the legislation to harmonize this entire situation, it would be a big assistance to the Federal Reserve System.

Your Committee suggests an amendment to what is known as the McFadden Bill. The McFadden Bill is simply a bill which allows the banks to continue the collection of checks, but instead of the clause which exists in Section 13 which says that no charge shall be made against the Federal Reserve, we have suggested an amendment which is as follows: "Subject to conditions of the Federal Reserve Board, any Federal Reserve Bank may collect any check or draft by sending it to the bank on which it is drawn and may charge to the bank from which such check was received, such exchange or remittance charge incurred in the collection of such checks."

The balance of the amendment is the same as the Act. We feel that with that amendment it will be optional for every bank, member bank or non-member bank, to charge as it sees fit.

We do not believe that any other solution of this problem can be arrived at at the moment. We have had discussions with the boards, we have appeared before Congress. Your committee has had dozens of meetings. I have studied this thing in and out for two years and I honestly believe that this is the only happy solution of this entire matter.

Your committee, therefore, makes the following report: Your committee suggests that the State Bank Division in convention assembled approve and endorse the McFadden Bill as amended by said Committee of the said State Bank Division. It is further recommended that at a general session of the American Bankers Association, this same bill be approved which has been approved by the State Bank Division; that a committee be continued to further study and develop a collection plan in accordance with said McFadden Bill and that the necessary funds be provided therefor.

MR. HEALY (Chicago): The gentleman enlighten the convention, briefly, as to what the McFadden Bill provides other than what he has mentioned?

MR. CLAIBORNE: It simply provides, as the Act provides today, that Federal Reserve Banks may accept from member banks all checks whether on member banks or banks that have the facilities through the collection. The only difference in this Bill is that instead of there being a prohibition against the Federal Reserve Bank making a charge as exists

today, this will allow any bank that remits to a Federal Reserve Bank to make the charge, but that charge is to be saddled back on to the depositing bank. That is the only change in the Act. In other words, the Act will remain as it is except the words, "But no charge shall be made to the Federal Reserve."

MR. HEALY: It contains no reference to any other subject?

MR. CLAIBORNE: No other subject at all.

MR. CHAS. F. LOWE (Vermont): Is there any data showing the proportion of banks that remit at par and the proportion of banks in the United States that do not?

MR. CLAIBORNE: The question must not be misunderstood as to how many banks are remitting at par, and where it is possible for the Federal Reserve Bank to collect. The figures which are published continually, which are misleading, are that 93 per cent. of the banks of the United States are remitting at par. That is not a fact. While it is possible for the Federal Reserve Banks to collect on 93 per cent. of the banks, the facts are that those banks are remitting because all of the national banks, which include about 8,500 banks, are compelled by law. The questionnaire sent out by this Association, the American Bankers Association, showed that 80 per cent. of the national banks in the system were opposed to par collection. They were remitting because it was the law and they were forced to so remit.

The state banks that are now remitting with very few exceptions are remitting because they have been forced and coerced into remitting at par. That statement is justified by the fact that not only the questionnaire sent out by the American Bankers Association showed those figures as 80 per cent. but a questionnaire sent out two years ago by the National and State Bankers Protective Association showed that 83 per cent. of the banks of the United States were opposed to par collection.

MR. LOWE: Then am I to understand that 93 per cent. of the state banks at this time do remit for collections at par?

Collected in Various Ways

MR. CLAIBORNE: It is possible to collect on that percentage of state banks, but they are collected in various ways. The Federal Reserve Bank for a number of years had agents. In the very suit that I cited to you the Federal Reserve Bank of San Francisco paid \$4,000 to collect \$100,000 worth of checks, which the bank was willing to do for \$100; in other words, they expended \$3,900 over the legitimate cost to collect those checks. They collected them. I don't call that remitting at par. The percentage included in the 93 per cent. means just that kind, that the Federal Reserve Bank, through the American Express and through paid agents, have been able to collect on 93 per cent. of the banks.

MR. LOWE: What I would like to know is how many of the state institutions are remitting at par without adopting the methods that you have just cited? Is there any data that is available that will give us that answer?

PRESIDENT HECHT: I don't believe that such data is available anywhere because in a great many cases items on state banks are undoubtedly collected through national banks who are members of the system; in other words there may be in one city two state banks and one national bank. Those two state banks would probably be on the par list because the one national bank would be able to clear the items. So I don't believe that any one will be able to give you a specific answer to that question.

Unavailable Information

MR. CLAIBORNE: There is one agency that would be able to furnish the information; that is the Federal Reserve Board, but that information would be absolutely useless to this convention from the fact that I tell you that is beyond denial—the Federal Reserve Board themselves can not deny it, nor any Federal Reserve Bank—that if you have today a number of state banks, it is because they have been forced to that position. In other words, admitting the fact that you did have 93 per cent. that were remitting through the mails, it would not mean anything to this convention because if you ask those gentlemen (and we have replies given over their own signature), who are 80 per cent. of that 93 per cent., they will tell you that they are doing so because they have to. Therefore, what good would the evidence be if we had it?

MR. LOWE: If I may just ask one more question—is there not, and has there not been an attempt on the part of the Federal Reserve to ask for co-operation in the collection of items by the state banks with the further understanding that a certain amount of collection shall be done for them through the Federal Reserve System free of cost? Is there not now something of that nature? And if there is, what I would like to know is how many of the banks have gone into that sort of an agreement with the Federal Reserve System?

PRESIDENT HECHT: I do not believe that statistics are available here because they are Federal Reserve statistics.

MR. LOWE: Why does not that have a vital importance on the subject matter that we are asked to consider?

PRESIDENT HECHT: I, of course, believe that that committee has given about as much data as it would be practical to present to this convention, but I think Mr. Claiborne has made it perfectly clear that the question of what the state bank members really want to do will be better expressed by a vote that we will take at this meeting than it will be by the percentages which you have been told about for the reason that one of them will be a voluntary expression of their views and the other may or may not be. I am not taking sides in that question at all, but I think that really the question can be voted upon here without awaiting such information as you are now asking for, and which is simply not available.

MR. LOWE: I do not want to be misunderstood, Mr. President. I am not attempting to debate this question. I merely asked for information. I happen to come from a section of the country

where it has been the practice and is the practice to remit at par.

MR. MCCAIN (Little Rock): I think the adoption of this report means a step backwards. I come from a state, the state of Arkansas, that has about 550 banks, and prior to the Federal Reserve System's operation every one of those banks, with very few exceptions, charged exchange. Today we have practically no opposition to par clearance. Mr. Hecht's bank in New Orleans could not collect a check in Arkansas at less, hardly, than twenty-five cents a hundred exchange. If you give our country bankers the opportunity today to charge again, they will be perfectly willing to make that charge again. However, they are perfectly satisfied under the present operation. There is no discontent on their part, and I believe that if, in states like ours where that practice was as prevalent as it was, it was worked out satisfactorily to these people it would be a fair example of what it is worth to the entire country at large. For that reason for us to make this optional now, to raise a question with every bank as to whether they charge or do not charge, is simply a step backwards in a financial machine that is working to the best interest of all the people at this time. For that reason I would hate to see this report adopted.

JOHN E. WAGNER (Missouri): I think that is one of the best reports that I have ever heard. I am very anxious to see that report adopted. The actions of the Federal Reserve Banks in every state in this Union in regard to collections have been the actions of coercion and oppression. They sent an agent with threats on his

lips, to our little state banks in Western Kansas, that they would protest the checks of our bank if we did not remit to them at par. Those little banks were making about \$600 a year out of collections, out of exchange charges. The bank that made that threat was making 179 per cent. a year out of the pockets of the bankers of the country. I am perfectly willing that the bankers of Arkansas shall clear every item on earth at par, if they want to. But I also ask the privilege that the bankers of Kansas or Missouri or any other state be permitted to make a reasonable charge for collections if they care so to do.

PRESIDENT HECHT: If the chair may be permitted to inject a word into this discussion, I would like to say that the chairman of your Committee on Exchange and the chairman of this meeting have often differed very much on this same question. I believe, however, the course which that committee now recommends is one of conservatism because I believe the Federal Reserve Board in Washington itself is of the opinion that there are some things about this collection question that had better come by evolution than by revolution. So that I do not believe that the report of this Committee on Exchange as now presented is in any sense radical, nor do I believe that it will meet with a great deal of opposition in Washington when they finally sit around the table, as I am sure they will as soon as the vacancies now existing on the Board have been filled.

MR. LOWE: I come from a section of the United States—and a little state—where this same charging of collection on

items was the only discordant question before the state association—the Vermont State Bankers Association. It was confined to a very small section and we had some time getting the banks there to agree to collect their items at par—and they have done it. All through our section items are being collected at par. It facilitates banking. If the majority of the bankers of the United States are now remitting at par and are perfectly well pleased and satisfied with that method, I think it would be a serious mistake to change it.

MR. SPRECHER: The reason I move its adoption is due to the principle that is involved in this discussion. We today are opposed to labor unions for this reason: They come out and say, "You cannot work unless you belong to the union." That principle is wrong. It is un-American. And the reason I make this motion is that we members shall have the right to charge if we wish to. If we do not want to, why then we do not need to, but that principle prevails in everything that you and I do in the United States, and it should prevail in this. We, in our small state banks in Wisconsin before this exchange matter came up, made very little. In other words, we made a reasonable charge for exchange. Today we are making more out of the exchange charge than we did then. So I have no axe to grind, but my idea in making this motion was merely because I am opposed to the principle that the Federal Reserve Board is trying to stuff down our necks.

The report made by Mr. Claiborne was adopted.

Address of the President

By RUDOLF S. HECHT

President Hibernia Bank & Trust Co., New Orleans

The address of Mr. Hecht as president of the State Bank Division may best be described as characteristic. He exercised the right to express his own opinions and accorded the same right to others. In addition to discussing the questions of "Branch Banking" and "Par Clearance," reported elsewhere, President Hecht said that the State Bank Division now has a voting membership of approximately 12,000 banks, most of which are located in rural communities, and stated that naturally the activities of the Division during the past year, as in previous years, had been devoted largely to agricultural questions in which country banks are particularly interested. President Hecht commended the work of the different Division committees and spoke as follows on matters of particular interest not only to bankers but to the public:

Agricultural Credits

The farmers, like most other producers, have gone through a most difficult period of readjustment and it cannot be denied that the lack of proper credit facilities made their problem all the more serious during the past two or three years. The

Federal land banks, the rapidly increasing number of joint stock land banks and the War Finance Corporation have all helped to give the farmer relief, wherever possible, and each one of these agencies has fulfilled its function in a most satisfactory manner.

Nevertheless, there remains a very strong sentiment throughout the country that something is still lacking in our credit system to take care of the so-called "intermediary" credit which the nature of the farmer's business seems to require. It is argued, and properly so, that the "turnover" of farm products takes somewhat longer than the turnover in manufacturing or commercial enterprises and that special machinery should, therefore, be provided to take care of the farmer's needs.

Danger in Easy Credit

While freely recognizing the importance and necessity of giving careful attention to these needs, we frankly believe that it is just as dangerous for the farmer to make it too easy for him to borrow money as it is to deny him adequate credit facilities for the production and orderly mar-

keting of his crops. Already we have numerous proposals from perfectly well-intentioned friends of the farmer, calling for further legislation and for new governmental agencies to alleviate the sufferings of our agricultural sections. Your chairman does not believe that any of the bills heretofore proposed will prove a sound and permanent solution of the agricultural credit problem.

No praise could be too great for the wonderful work accomplished by the War Finance Corporation under the courageous and farsighted leadership of its managing director, Eugene Meyer, Jr., during the past year or more. But credit conditions have changed completely during the past year and it is high time that the government get out of the banking and every other business and thus live up to the slogan used so frequently during the last campaign, i.e., "more business in government and less government in business."

The economic disturbances resulting from the abnormal conditions of the past few years are rapidly being adjusted and the great improvement in the country's financial condition will automatically solve most of the farmer's problems.

Let us be very slow, therefore, in giving the official indorsement of our Association to any of the bills now pending in Congress, for surely there is no legislative panacea for all of the farmer's ills, any more than we can hope to cure the economic disruptions in other lines by the mere passage of more laws.

More Elasticity

The one way in which we can, perhaps, give some relief through existing agencies would be to make the regulations of the Federal Reserve Banks slightly more elastic than they are at present. We appreciate the necessity for keeping the assets of the Federal Reserve Bank as liquid as possible, but we do not believe that any serious harm could result if such banks were permitted to carry a reasonable amount of agricultural paper, running for a period of nine months, provided such obligations are of a truly self-liquidating character, i.e., provided they are drawn in the early part of the planting season and are to be paid out of the proceeds of the crop when harvested.

Federal Reserve Membership

It is very likely that there would be a considerable increase in the membership of the Federal Reserve System if such a change were made. It might particularly prove to be an inducement for the smaller banks to join if the law permitting banks of less than \$25,000 capital to become eligible should become effective. At present less than 1,600 out of the 11,000 state banks which have been eligible all along have actually joined the system; and under the new law there would be 4,203 more banks added to the list of state banks which could and might become members if the facilities offered proved sufficiently attractive to them.

Benefit to Small Banks

Reports of the War Finance Corporation indicate that during the short period in which it has functioned 4,220 banks availed themselves of its rediscount facilities. Nearly all the institutions so accommodated were state banks—not members of the Federal Reserve System—and many of them too small to qualify for such membership under the old law. This is eloquent argument in favor of some adjustment of the rules of eligibility of agricultural paper, and, no doubt, this can be done without seriously affecting the liquidity or jeopardizing the soundness of the system. On the other hand, when it comes to the financing of livestock we are confronted with an entirely different

problem because in that case a turnover of from two to three years is required. Paper running for such a period cannot, of course, be handled by the Federal Reserve System, and it is to be hoped that private initiative will supply some other kind of machinery for that purpose.

Cooperative Marketing

The question of cooperative marketing is beginning to attract a good deal of attention among farmers, business men and bankers. This new economic development impresses us as being thoroughly sound in principle, but its ultimate success will depend entirely on the business ability which those who are charged with its administration may display. The greatest danger is that on the advice of honest but mistaken leaders these marketing associations may develop into holding corporations, which may try to override the law of supply and demand and attempt to get an artificially high price for their product by withholding it from the market when it is really wanted, or by unduly limiting production, or by other iron-clad rules.

So long as they live up to the true object of their organizations, which is to market their products gradually as the demand for them will absorb them, nothing but good can come from their operation. But it behooves us as bankers to take an interest in this new economic movement, because its success will mean a great deal to the farming and business interests of the nation. Indeed, if completely successful, it would result in a more even distribution of business activity, more stable prices, less speculation and less violent fluctuation of bank deposits. I can think of no worthier movement to attract the interest of the bankers.

Public Education

Realizing how great, in the solution of all our problems, is the need of education in fundamental principles, I wish to urge intelligent understanding of, and constructive cooperation in the splendid and vital plan worked out by J. H. Puelicher, one of the organizers and first president of the State Bank Division. This plan is being carried out under the Committee on Public Education, of which he is chairman, and is one of the most important pieces of creative work in which the Association has ever engaged. Because of like services rendered during many years in numerous capacities for the Association, we, of the State Bank Division, who feel greatly indebted to Mr. Puelicher, desire this year that there shall be conferred upon him the highest honor which this Association can give.

Relations with National Banks

Notwithstanding the fact that national banks have in recent years been given most of the privileges heretofore enjoyed by state banks, such as conducting trust and savings departments, the state-chartered institutions have shown a steady increase in numbers and resources. There have been a good many conversions from national into state banks. In New Orleans only one bank remains doing business under national charter, in Cleveland only three and in most other large cities state-chartered institutions now hold the overwhelming banking power in their respective communities.

But notwithstanding the fact that the lines of demarkation between the two classes of banks are becoming more and more obliterated since the establishment of the Federal Reserve System, the same reasons which make it highly desirable for the country to have a fairly evenly matched Democratic and Republican party also make it advantageous to have two classes of institutions—one under Federal and the other under state jurisdiction. Nor is there any reason why the friendliest relations should not always exist between the two classes of banks and the two Divisions of this great Association which respectively represent the state-chartered and national institutions.

Cooperation With State Bank Supervisors

We have maintained the same cordial relations as heretofore with the National Association of State Bank Supervisors and have cooperated with them in the compilation of statistics of all state-chartered banks. You are probably familiar by this time with the figures as published recently by R. N. Smith, secretary of that Association, but it may be worth while to give you the following totals: there are 22,302 state banks, trust companies and savings banks with total deposits of \$23,510,000,000, as compared with 8,197 national banks with total deposits of \$15,390,000,000.

The National Association of State Bank Supervisors extended your chairman the courtesy of inviting him to deliver an address at their convention recently held at Detroit, and as you already know, we are to have the privilege of hearing from one of the leading members of that Association this afternoon.

Our Division is also supporting the efforts of the Supervisors' Association and of the Investment Bankers Association to secure proper national legislation to prohibit the sale of fraudulent or worthless securities without crippling corporations engaged in legitimate business.

Financing Agriculture

By EUGENE MEYER, JR.
Managing Director of the War Finance Corporation

THE State Bank Division was fortunate in having as a star speaker Eugene Meyer, Jr., managing director of the War Finance Corporation. In introducing Mr. Meyer President Hecht said: "I spoke a few moments ago about more business in government and less government in business. I don't know any better personification of that principle than the speaker who is to address you this afternoon. It has been my privilege during the last several years to have a good deal of business to transact with the War Finance Corporation in Washington, and I have had occasion to remark many times that it seemed less like doing business with the government than anything I ever had to do in Washington, because there was at the head of that corporation a real business man—farsighted, courageous and able."

Mr. Meyers reviewed the history of the War Finance Corporation since its organization under the Agricultural Credits Act of August 24, 1921.

He said: That Act authorized the Corporation to make loans for agricultural purposes to banking and financial institutions and to cooperative marketing associations for periods of not to exceed one year, with power to grant extensions or renewals for additional periods not exceeding two years. It filled a gap in our banking machinery and provided a rediscount facility that was adapted to the peculiar needs of agriculture during the emergency.

The Act was nationwide in its application and it was necessary for the Corporation to set up what amounted to an auxiliary banking system throughout the country. Leading bankers and business men in the various agricultural and livestock districts were called upon to serve on committees, without compensation, to aid the Corporation in making its funds quickly available. By the latter part of October, the machinery for ad-

ministering the measure was in good working order, and from then on the Corporation approved loans in steadily increasing volume. During the period from November, 1921, to January, 1922, they reached an average of more than \$2,000,000 a day.

Up to September 15, 1922, the Corporation had authorized nearly 7,000 loans,

situation in the country districts and relieved the necessity for forced liquidation. They put the banks in position not only to carry their farmer customers for a longer period, but also to make new loans, and were a vital factor in bringing about a marked improvement in the whole economic situation. Better prices for farm products, renewed activity in the farming

districts and revival of business generally were within a few months reflected in the way in which repayments began to flow into the Corporation.

Although the blighting effects of the agricultural depression are still in evidence, the change that has taken place within the past year is little short of remarkable. The farmer and stockman are not completely out of the woods, but their position has been immensely strengthened. The harvest prospect is favorable, and, although there were declines recently in the prices of some commodities, most staple farm products are considerably higher than they were in the summer and fall of last year. Cotton that sold at the farm for around 8 cents is now worth approximately 20 cents; corn has advanced from about 20 cents at country elevator points in the Middle West to from 45 to 50 cents; wool that sold on the western ranges at 17 cents is now worth around 35 to 40 cents; while hogs, sheep and cattle are not only worth considerably more in the markets, but are in greater demand for breeding and fattening purposes.

Considering the vast sums that are required annually to finance our agricultural and livestock industries, the loans of the War Finance Corporation may seem relatively small. But the money was directed to the weak spots in the situation and helped to restore that element which is so vital to all kinds of business—confidence. Even before the funds of the Corporation were made available, a psy-



EUGENE MEYER, Jr.

Paul Thompson

aggregating \$183,000,000, to approximately 4,400 banking institutions in the agricultural sections of the country; 750 loans, totaling \$72,000,000, to livestock loan companies; and advances aggregating \$175,000,000 to cooperative marketing associations. Altogether the loans authorized for agricultural and livestock purposes, including exports of agricultural products, totaled \$470,000,000.

These loans strengthened the banking

chological reaction took place and confidence began to return. The chairman of one of the thirty-three agencies of the Corporation, for example, reported that he had been able to stop the sacrifice of breeding herds and young cattle on the mere prospect of relief, before a dollar of the Corporation's funds reached his state.

The loans of the Corporation not only helped directly the borrowing institutions and their farmer customers; they had a much more far-reaching effect upon the banks to which the Corporation made no loans at all. In places where some banks were weak and some were strong it was found that the inability of the weak banks to serve their communities was matched by an unwillingness on the part of the strong banks to function in a normally confident and courageous way. Nor is this to be wondered at. Knowing well the overextended condition of their neighbor banks, the stronger institutions felt compelled to consider the necessity of remaining strong. The longer term rediscounts offered by the War Finance Corporation to the overextended banks, and the restoration of market values following relief from forced liquidation encouraged that more normal operation of the stronger banks and that more liberal use of their resources which was warranted by the removal of the danger spots.

Corporation Necessarily Temporary

The War Finance Corporation is essentially a temporary agency designed to meet an emergency. Its highly centralized form of organization, with concentrated power and resources, was admirably suited to the grave crisis that confronted the country. In my opinion, however, it is entirely unsuited to the permanent banking structure of the nation.

In determining what can be done by legislation to change or to improve and develop the machinery of banking to meet the needs of agriculture, we are bound to be influenced by the limitations of business administration. If the War Finance Corporation has succeeded in its efforts it is because it has been able to enlist locally the services of some of the best bankers in the various states, working devotedly in the public interest without compensation and in a way that can only be expected temporarily and for the purpose of meeting an emergency. We know that, under normal conditions, it is not always possible to command the same talent and the same application, or to employ the same methods, in government work as in private business. Under the circumstances, if we can find a solution for the permanent financing of agriculture through business channels, relying upon the government only to authorize the proper machinery and to provide the necessary supervision and regulation, it will undoubtedly prove to be the better and more practical way.

Agricultural Financing Measures

Many measures dealing with agricultural and livestock financing are now pending in Congress. One bill, introduced

by the chairman of the House Committee on Banking and Currency, is based largely upon the experience of the War Finance Corporation. It provides, among other things, that agricultural paper having a maturity of not to exceed nine months and secured by non-perishable agricultural products, properly warehoused, shall be eligible for rediscount in the Federal Reserve System when issued as part of a program of orderly marketing. It gives the same privilege to nine-months paper secured by livestock in process of fattening for market. It declares that paper of cooperative marketing associations, evidencing advances for agricultural purposes, is entitled to all the rediscount privileges of agricultural paper. The purpose of these provisions is to make more available to agriculture the great rediscount resources of the Federal Reserve System, in so far as this may be done safely and soundly.

Liquidity of Loans Depends upon Security

We all recognize the desirability of maintaining the liquidity of the assets of the Federal Reserve System. The view seems to prevail in some quarters, however, that paper, in order to be liquid, must have a maturity of sixty or ninety days. That view was largely imported from Europe, and particularly from those portions of Europe which are primarily industrial and commercial rather than agricultural. The fact that the Federal Reserve Act permits the rediscounting of agricultural paper with a maturity of six months is only a partial recognition of the need for a differentiation between the time limits for agricultural and for commercial paper.

A sharp distinction should be drawn between short-time bank paper and the question of the liquidity of the security that underlies bank paper, long or short. For instance, the six and nine months' loans on wheat and cotton, made by the War Finance Corporation to cooperative marketing organizations, are as liquid, from the point of view of the security, as ninety-day paper representing advances to merchants and manufacturers. Long-time paper may be more liquid as to security than short-time paper. It may not be as well adapted as an investment for all of a bank's funds, representing deposits payable on demand; but the experience of the War Finance Corporation has demonstrated that, when adequate financing for the time needed is provided, staple agricultural commodities are liquidated in an orderly way and, in fact, the liquid quality of the security is enhanced by a more gradual marketing process.

During the past year it was clearly shown that commercial paper depends for its liquidity on the orderly buying of the manufactured goods, and that this orderly buying, in turn, depends largely upon a purchasing power based upon the orderly marketing of our basic agricultural products. Indeed, if our late experience established any definite differentiation between the liquidity of commercial paper and of paper based upon staple, non-perishable agricultural commodities, properly warehoused, it established the fact that the lat-

ter is decidedly more liquid under adverse conditions than the former. At no time were such commodities so entirely unmarketable as were certain lines of manufactured products upon which the so-called liquid commercial paper was based.

Eligible and Non-eligible Paper

While it is important to safeguard the Federal Reserve System by proper restrictions regarding eligible paper, it is equally important to safeguard the business of the country by avoiding discrimination against paper which may properly be considered as eligible. The system gave us banking elasticity in a way that was long necessary, but it also created a difference between different kinds of good paper. Before the system was established paper was judged on its merits. It was good or bad, according to the worth of the maker and the security back of it. There was no distinction between different kinds of good paper, provided the banker or the investor was willing to lend for the length of time it was issued. But now good paper is classified either as good rediscountable paper or good paper that is not rediscountable; and bankers are considering their loans, even where they have no intention of using them for rediscount purposes, with regard to the requirements of eligibility.

We are too apt to think of the Federal Reserve System only as adding a new facility and additional resources to our banking structure. But we must not overlook the fact that, while the system has greatly enhanced the desirability of eligible paper, it has correspondingly decreased the desirability of non-eligible paper, even though that paper may be satisfactory in every respect from the standpoint of security.

Live Stock Financing

While modification of our banking conceptions and practices is essential to the more orderly marketing of our agricultural products, the livestock situation presents rather special problems. The livestock industry has never been properly financed. It involves a turnover of two to three or three and a half years, and there is no "home" today for livestock paper of that duration. It is not suitable for banks of deposit, nor is it eligible for rediscount in the Federal Reserve System.

The outside capital invested in the livestock industry has come largely from a restricted number of bankers who have had personal contact with it. So far the industry has not been able to make a successful appeal on a broad scale to bankers outside of the livestock territory who are out of contact with the business, like those in New York, Boston and Philadelphia—great banking centers that stand ready to furnish capital at reasonable rates on good security. No matter what form of organization for livestock financing may be developed, it is essential that the industry reconstruct its methods so as to provide that assurance of safety which will induce the bankers of the financial centers of the country to make loans on livestock as readily as they do on other commodities.

At the recent meeting of the American National Livestock Association in Denver, I pointed out some needed reforms in the industry. I urged the association to study the best practices that have been developed in the various states for the protection of titles to livestock under mortgage; to canvass the best methods that have been devised for the protection of brands and for safeguarding livestock from being stolen and shipped out of the state; and to organize and license a corps of experienced and competent inspectors so that if a banker making a livestock loan is not entirely satisfied with the representations of the borrower he may be able to obtain a certificate of inspection made under the authority of the association. These matters are of vital importance if the industry wishes to enlist the capital of the great money centers.

Live Stock Loan Companies

When the War Finance Corporation came into the critical situation last fall, it sought agencies through which it could place its funds safely without too much delay and too many practical difficulties. The banks, generally speaking, had all the livestock paper they were able to carry. The large livestock loan companies not only were fully supplied with paper but were having a struggle to take care of it. In fact, both the old companies and the banks were in urgent need of relief.

When I was in the West in September a year ago, it became clear that new loan companies with fresh capital were necessary. Beginning with Salt Lake City, Cheyenne, and Denver, and following later on with Fort Worth, Albuquerque, and other Western livestock centers—from Montana and Oregon to New Mexico and Texas—we were able to get the local bankers and business men to organize new loan companies, each with substantial capital, through which the corporation could make livestock loans promptly and on a large scale. Our loans on livestock total about \$88,000,000, including approximately \$16,000,000 to banks and about \$72,000,000 to loan companies. The greater part of the \$72,000,000 was placed through the new companies.

When the need for new loan companies was apparent, the problem was where to get the necessary capital. The banks in some states subscribed very liberally. In fact, the capital of some of the companies came almost entirely from banks. While loans of the longer duration are not suitable, in unlimited amounts, for banks whose deposits are payable upon demand, nevertheless many banks are closely affiliated in their current business with the people interested in the growing end of the industry. From the fact that when called upon they helped to organize the new companies, it has been brought home to us that an amendment to the National Banking Act might not be out of order, an amendment by which the national banks would be permitted to subscribe to the capital of livestock loan companies, such companies to be subject to Federal banking supervision. This would not be an entirely new idea, because a somewhat similar amendment

was contained in the Edge law, which was passed in December, 1919, when the maintenance of our export trade seemed to be the most important thing from a financial point of view.

I believe that livestock loan companies, organized and owned locally, are the best agencies through which livestock loans can be placed. They will, in my opinion, prove to be more helpful than loan companies operating over unduly extended areas, and they should be able to attract capital from the more distant points on a sound basis and at reasonable rates.

Land Credits

There has never been a satisfactory market for mortgages on land that is devoted to stock raising, no matter how well suited for the purpose. Although the valuations per acre are small, stockmen have been compelled to pay high rates of interest on ranch mortgages, and even then it has been difficult for them to get money. This was especially true a year and a half or two years ago, when competition for capital forced up the price of financial accommodation so that even the best borrowers had to pay high rates on liquid securities. The market for land mortgages was at a great disadvantage, and this situation was undoubtedly responsible for some of the congestion in the banks of the livestock territory, because they became loaded down with land loans. In many cases, they did not intend to make land loans, they merely financed the current operations of the stockmen, but as these operations did not return the money loaned and frequently involved heavy losses, they took mortgages on the land as security.

Federal Land Banks

The Federal land banks have increased the scale of their operations during the past year. They are now making loans at the rate of approximately \$18,000,000 a month, as against about \$12,000,000 last fall. But in certain states, like Wyoming, Montana, Colorado, New Mexico, and Texas, the need for mortgage money has not been adequately met by the Farm Loan System because of the limitation which prevents the land banks from lending more than \$10,000 to any one borrower. That amount would not be very helpful to the western grain farmer who cultivates an extensive acreage, nor to the stockman whose ranch, to be an economical producing unit, must be conducted on a fairly large scale.

Recently a number of additional joint stock land banks, which are authorized to lend from \$37,500 to \$50,000 on one holding of land, have been formed in the western states, and they are meeting a very definite and pressing need. Furthermore, with the general improvement in the financial situation, private investors and great lending institutions, which were attracted away from farm mortgage loans by the inducement of higher rates for commercial paper and short-time securities, are rapidly coming back into the market for such loans. In many districts a larger supply of money on land at reasonable rates will be very helpful

to the banks, and through the banks to the farmers, because it will result in the transfer of unliquid, so-called frozen, loans out of the banks, where they do not belong, into the hands of long-term investors, where they do belong, and will thus make it easier for the banks to finance the current agricultural needs of the farmers.

Cooperative Marketing Associations

One of the most significant developments in the marketing of agricultural products in recent years is the growth of the cooperative movement. Through further development along this line we may expect to see a definite improvement in our whole system of distributing farm commodities.

Generally speaking, the American producer has been forced to sell his crop hurriedly and at the time of maximum supply. Within three or four months almost the entire production has passed out of his hands, though twelve months are required for its consumption. The farmer's credit matures in October or November. The merchant, who has provided him with supplies and equipment on credit, finds his own bills maturing during the same period, and presses the farmer for payment. There is a call for cash all down the line, from the correspondent bank in the city, from the country bank, and from the merchant. As soon, therefore, as the crop is harvested, it is rushed to market.

Need Not Sell at "Low"

But the cooperative marketing associations are gradually overcoming this situation. In the hands of the individual farmer, his products have often been little more than an offset against debts contracted in order to carry on his producing operations. In the hands of the cooperative association, they can be assembled in quantity, graded and warehoused, pledged as collateral for loans, and marketed in an orderly way. The farmer is thus relieved of the necessity of selling during the annual "low" of the market, and distribution is adjusted to consuming demand.

Cotton Situation and the Cooperatives

In the midst of the worst depression that the cotton industry had suffered in many years, it was through the cooperative marketing associations that the War Finance Corporation developed plans for extending assistance to the industry on a comprehensive scale. In the summer of 1921, when cotton was quoted at around eight cents a pound at country points and when business throughout the cotton belt was in a demoralized condition, the Corporation made its first large loan to an association in Mississippi on 100,000 bales of cotton. The cotton was classified by the association according to grade and staple and placed in bonded warehouses under inspection. The loan enabled the association not only to make advances to its members for their urgent financial needs, but also to market the crop through a greater portion of the consuming year

instead of forcing it on a demoralized market.

Within a week or ten days other loans were authorized on a similar basis to cotton cooperatives in Oklahoma on 200,000 bales and in Texas on 300,000 bales. There immediately followed a radical change in the cotton situation. Confidence was restored, other avenues of credit were opened up, buyers began to resume purchases on a liberal scale and more normal conditions, both with regard to prices and volume of business, ensued. The change was promptly reflected in improved general business throughout the South.

\$110,000,000 to Cooperatives

The success of these cotton cooperatives has encouraged the spread of the movement; and many new associations have been organized for the handling of cotton, wheat, tobacco, rice and other staple products.

The War Finance Corporation has already authorized loans totaling more than \$110,000,000 to cooperative marketing associations to assist in financing the orderly marketing of the 1922 crops. It is expected that only a portion of this amount will be actually advanced and that the banks in the interested districts will do the major part of the financing for the associations. That is what happened last year. While the Corporation agreed to lend approximately \$64,000,000 to cooperative marketing associations in all parts of the country, on such products as cotton, wheat, rice, peanuts and tobacco, only slightly more than \$18,000,000 was actually used. It is gratifying to note that this year the large Eastern financial centers are showing a decided interest in the financing of such associations and considerable amounts will be made available from these centers in addition to the advances provided by the local banks.

Management a Vital Factor

Cooperative marketing associations have a definite place in our economic structure. If they are soundly organized and competently managed, they are bound to be helpful not only to the agricultural interests themselves but to the business of the country at large. Management is as vital a factor in the success of cooperative enterprises as of any other business organization. Without good management they cannot establish and maintain that degree of confidence in the soundness of their operations which is absolutely essential. I am glad to say that the rela-

tions of the War Finance Corporation with the associations to which it has made loans have been satisfactory. They have met the requirements and regulations of the Corporation in a whole-hearted way and have conducted their operations in a thoroughly businesslike manner in almost every case. They have not only made considerable progress in bringing about more uniform grading and classification, furnishing a better basis for credit and insuring the more efficient handling of the product, but they have erected machinery which will greatly facilitate the gradual, orderly distribution of the products of their members.

A Natural Development

Many plans have been proposed in this country for financing the farmer. Most of them have involved the theory of co-operation, but many have had little in common with the selling cooperatives as they have developed in America. They have been based rather on the principles of the European cooperative credit societies, or upon some other type of cooperative agency that has not been tried out here. There may be a place in the older and more densely settled communities, under state authorization and state supervision, for systems of credit unions similar to those that exist in Europe, but the large cooperative marketing associations, as we know them, have grown up naturally in response to our own peculiar needs and economic conditions.

Keynote of Policy for Agricultural Financing

Agricultural financing must be based, first of all, upon the fundamental facts of American agriculture and, second, upon the existing economic and financial structure of the country. Not to meet the first requirement is to force agriculture into the impossible position of endeavoring to make production and distribution conform to banking practices. Not to meet the second is to weaken rather than strengthen the financial machinery of the nation.

The keynote of our national policy should be the development of the usefulness of the Federal Reserve System to the maximum. New machinery should be held to the minimum. The Federal Reserve System is, and should remain, the great banking rediscount organization of this country. Nothing should be done to impair its strength; everything should be done to extend its usefulness in proper ways. It would be uneconomical and un-

sound—it would be the height of folly—to set up other agencies for doing the things the system can and should do. Not only that, but agriculture is entitled to the best banking rediscount facility, and it should not be satisfied with a second-class facility, such as is contemplated by some of the measures pending in Congress, when the adjustment of the eligibility rules of the Federal Reserve System to the business involved in the orderly marketing of agricultural products would give it a first-class facility.

Not Speculation

Paper based upon the security of non-perishable commodities should be made eligible for rediscount for the length of time necessary to market a season's product before the next harvest. It is idle to designate as speculation the carrying of agricultural commodities by farmers or farmers' organizations for orderly marketing, or to say that by forcing the products out of the hands of the producers speculation will be avoided. Somebody must carry crops between seasons. We eat bread the year around, but wheat is planted, cultivated and harvested within a few months. And so it is with other farm commodities. When an agricultural product has been produced, either the consumer must buy it and carry it until it is actually needed, or the dealer who supplies the consumer must do so, or the jobber must stand between the producer and the manufacturer who ultimately takes it for distribution to the consumer, or, going back still farther, the producer himself must find ways and means of carrying his product and marketing it gradually.

Suffers from Friends

Those who object to adjusting the eligibility rules of the Federal Reserve System to the time required for the orderly marketing of agricultural products seem to fear that the soundness of the system will be jeopardized. But the system suffers from friends as well as from foes—those who defend its every act and policy and who stand for the immutability of its present law and regulations may be as harmful as those who are extreme in their denunciation of the part played by it in the collapse of commodity markets and prices. The true friends of the Federal Reserve System are those who are willing to see its machinery adjusted along sound lines to meet changed conditions, both in this country and abroad.

Practical Problems of State Banking

By HON. MARSHALL COUSINS
Commissioner of Banking of the State of Wisconsin

HON. Marshall Cousins, Commissioner of Banking of the State of Wisconsin, was introduced by President Hecht as "a man who not only holds a very high place in the esteem of his fellow-citizens in Wisconsin, but his reputation for fearless action and for ability in his line has spread way beyond the limitation of his own state. He has studied banking problems from many angles and he will discuss with us this afternoon some of the banking problems in which all of us are interested."

Banks operating under national charters, state charters, or as private institutions, all occupy the same position in their relations to the public. In this day all banks are expected to receive the deposits of the public and to furnish accommodations to the public in the way of loans. There are many other types of service which the bank of the present day is expected to render. As a whole our banking institutions, both state and national, are worthy of the confidence of the people and are rendering acceptably the service for which they were organized.

Burdens too Heavy

We all realize that the rural communities are first and directly served by the small state banks in their localities. Thousands of the smaller towns have no national banks and are served entirely by the state banking institutions. Problems confronting these small institutions are also the problems of the banks in larger towns and cities, as through our system the banks in the larger cities and the commercial centers assist the rural banks in carrying their burdens and must naturally be as much interested in the solution of the problems confronting these small banks as is the small institution itself.

The rural bank located possibly at the cross-roads where the only other business may be the general store, possibly a creamery, often a garage, which in former days was a blacksmith shop, and one or two residences, is called upon to carry burdens of the people of its locality far beyond its own ability. These institutions turn to the larger town of the county, and from the bank in that town receive assistance through the placing of bills payable or by rediscounts.

Later the bank in the large town of the county finds the requirements made by the smaller banks are beyond its powers to meet, and it becomes necessary for these banks to go to its correspondent in the city for assistance, and through this process eventually the great banks in the commercial centers, and the Federal Reserve Banks have taken up their share of the burdens. Consequently, the problems of the small state banks have become the problems of the larger banks both state and Federal. The officers and directors of these banks become as much interested in finding a proper

solution as the officers and directors of the small bank first affected.

One of the great problems confronting the banks annually is that of financing the agricultural operations during the growing season and the marketing of the crops. Without cooperating all along the line this would be exceedingly difficult of accomplishment. This is not a new problem confronting banks; it has been a problem from the time of General Alexander Hamilton, and the bank planned and organized by him had as one of its objects the handling of this problem.

Frozen Loans

It is to the country bank that those devoting their attention to agricultural pursuits first turn. The neighborhood bank must furnish the funds needed during the growing season and must finance the moving of the crops. It would indeed be a problem for these small and most necessary institutions could they not depend upon the larger banking institutions in the commercial centers for assistance.

Another problem confronting all banks alike, but possibly the smaller banks to a greater extent than the larger, and in many localities a condition which has not arisen before for many years, is the liquidation of so-called frozen loans. This is not a problem of the state banks alone. It is a problem receiving the thought and attention of all banks alike. While in many instances considerable time will be required, by cooperation of banks and the application of the rule of common sense, the problem can be successfully solved.

I recognize the value of our national banks, but I am a thorough believer in our dual banking system. Through the wise legislation of the majority of the states the difference between the state banks and the national banks as to regulations and supervision has become but nominal. It is as essential for banks under national charters as it is for those under state charters to conduct their affairs upon the lines laid down by the laws under which they operate, and the rules of conservative banking methods. "Rigid observance of all statutory provisions" should be the motto of the banks everywhere, and, I believe, in the vast majority of institutions it is the motto. It is only through the rigid observance of laws, lawful department regulations and due respect for conservative banking methods that banks can maintain the confidence of the people of their immediate community upon whom they must depend for their success. Public confidence is the greatest asset a bank can have. It does not appear upon the face of the published statement, but without it a bank cannot hope to retain its business and must eventually close its doors.

There is a place in our commercial life for national banks and a place for state banks. Both systems are of value to the nation, and each has its special sphere of

usefulness. The existence of two systems is a safeguard and a check upon the Congress and the state legislative bodies, and the public is accordingly protected and benefited. Should it come to pass that the Congress endeavors to inflict unjust legislation upon the national banks they can surrender their national charters and organize under the law of the state in which they are located. Should the legislature of any state inflict unjust legislation upon the banks operating under the laws of that state, the banks can surrender their state charters and take out national charters.

A great many eligible state banks have not taken membership in the system. One reason for this, perhaps, is that the banks in the commercial centers in many parts of the country do not encourage their smaller correspondent banks to take such membership, as they prefer to furnish them with the accommodations which they could obtain, if members, from the Federal Reserve Bank. I question the wisdom of this method, and I believe it is more desirable that the eligible banks, who find it necessary during certain seasons of the year to obtain help from other banks through borrowing of money, should take membership in the system that they may transact their business direct with the Federal Reserve Bank of their district. The larger the membership of state banks in the Federal Reserve System, the greater will be the influence of these banks in determining legislation affecting the system. The Federal Reserve System was not organized for the especial benefit of the national banks. Its purpose was to serve the country, and the state banks should feel that the system is for them as well as for the institutions chartered by the Federal Government.

Sees Little Difference

From practical experience in both state and national banks, I can see but little difference between them. There should be no difference. The same rigid supervision of the supervising authority and the same conservative policy of the management should apply to both classes of banks. They are all organized for the same purpose and should render the public the same service. There should be no friction between the banks of the two systems. It is for their own good and for the public good that there should be cooperation.

I believe we will more closely approach the ideal situation when for the welfare of nation-wide credit and trade, and of national solvency, the two banking systems, the state and the Federal, each supreme and useful in its own functions, can be made as one in matters of mobilization of reserve, currency supply and efficient supervision. The Congress and the legislatures of the respective commonwealths should be urged to place upon the statute books laws which will bring this about.

State Bank Division Committee Reports

Federal Legislation

In addition to recommendations in connection with branch-banking published elsewhere, the Federal Legislative Committee reported as follows:

The Federal Legislative Committee of the State Bank Division has kept in close touch with the work of the same committee of the Association, but has not found it necessary to actively engage in legislative matters as there has been no conflict of interest and, in consequence, no occasion to take advantage of the constitutional right of independent action in legislation affecting the State Bank Division. While we should not hesitate to avail ourselves of the constitutional privilege should necessity require, the committee feels that its activities should be more defensive than offensive, and that our position should be that of combatting unwise or harmful legislation rather than to initiate new. In the absence of anything inimical, in a legislative way, to the best interests of the State Bank Division during the past year, we find ourselves generally in sympathy with the program of the Association and have supported it accordingly.

State Legislation

The State Legislative Committee, consisting of D. M. Armstrong, chairman, and Messrs. Chas. A. Ireland, E. O. Howard, T. F. Tilghman and Frank S. Thomas, submitted the following report:

The Committee on State Legislation of the State Bank Division has cooperated with the Committee on State Legislation of the Association in promotion of the enactment of bills recommended by the Association. Only nine state legislatures have held regular sessions during the year, and in some of them no banking legislation has been passed. In South Carolina the Bank Slander Bill, drafted by our General Counsel, was passed, but in somewhat different phraseology from the recommended draft. It provides that "any person who shall falsely and wilfully and with intent to injure, circulate any report, or make any false statement as to the assets or liabilities of any bank in South Carolina, or to its solvency or ability to meet its obligations, or as to its soundness; or who shall make any other false statement, calculated to affect the credit or standing of said bank, or to cast suspicion upon its solvency, soundness or ability to meet its deposits or other obligations in due course, shall be deemed guilty of a misdemeanor," and provides a fine of not less than \$100 nor more than \$500 or imprisonment not more than one year, or both, in the discretion of the court. In Virginia a law has been passed prohibiting the organization of a bank by stock promoters. In Mississippi a law was passed providing for the exemption of all taxation of income on deposit in banks both upon time and savings.

Our committee pledges its continued cooperation with the Committee on State

Legislation of the American Bankers Association for the campaign of 1923, during which year forty-one state legislatures will hold regular sessions, and especially in the promotion of an amendment of the Negotiable Instruments Act that will protect banks which certify checks which have been altered before certification.

Farm Finance

The Committee on Farm Finance, consisting of John D. Phillips, chairman, W. C. Gordon, Grant McPherrin, Geo. A. Holderness, and M. H. Malott, presented a report stating that at a meeting of the committee in Chicago last November a subcommittee was appointed, consisting of Chairman Phillips and Messrs. George Woodruff and H. A. Moehlenpach. The subcommittee had several meetings, one of which was held at Washington, D. C. The report continued as follows:

After due consideration this subcommittee concluded that the ideal banking system for long time credits to the farmer or in other words investments credits would be the development of the Federal Land Bank System in such a way that all banks might become members of it very much in the same way that banks are now members of the Federal Reserve System, and that the banks might make loans and function in exactly the same way that Farm Loan Associations now do, thereby building up in this country two wonderful banking systems. The Federal Reserve System, which in our judgment is the greatest piece of financial legislation ever enacted in any country in the world, whereby the commercial needs of the farmer as well as all others might be cared for, and the Federal Farm Land Bank System, through which the long time loan or investment credits might be placed.

Your committee therefore recommends that a sufficient number of Joint Stock Land Banks be established and the Federal farm loan system be so developed as to take care of the long time or investment credits of the American farmer. The War Finance Corporation has filled a very great need during the depression which we have been and are still passing through, and should be highly commended for the service it has rendered and its operation continued until such a time as amendments can be made to the Federal Reserve Banking Law, enabling Federal Reserve Banks to rediscount certain kinds of agricultural and cattle paper for at least nine months. I say nine months because the leading minds in the banking business seem to have agreed on nine months, but in the judgment of your chairman, the time should be twelve months. Only 18 per cent. of the business done by the Federal Reserve Banks of the country is of an agricultural nature and the paper carrying the twelve months' maturity would be of such a small percentage of the 18 per cent. that it would be infinitesimal in the enormous amount of business trans-

acted by the said Federal Reserve Bank. There is a certain amount of business that both farmers and stock men transact that demands a credit of twelve months and I am a firm believer that all business in a community should be handled by the local banks and they in turn should be in a position to rediscount all legitimate paper of this character at the Federal Reserve Bank.

There has been much agitation and many bills before Congress, the purpose of which was to establish in this country a third banking institution known as an Intermediary Credit System. Your chairman has been from the start and now is positively and absolutely opposed to anything of this kind although the War Finance Corporation has acted in this capacity and has rendered a very greatly needed service to the country, but in my humble opinion with the Federal Reserve Act amended along the lines as above suggested and the development of Joint Stock Land Banks and the Federal land bank there will never be a need of such an institution. However, your chairman recommends that a law be enacted permitting the establishment of private corporations under the supervision and direction of the Federal government, for the purpose of taking care of the intermediary credit should there ever be a need of such a thing in this country.

The report was duly adopted and the secretary directed to send a message to Chairman Phillips congratulating him upon his excellent work as chairman of the Farm Finance Committee and wishing him speedy recovery from the illness that prevented him from attending the meeting.

Public Service

The Committee on Public Service, consisting of H. A. McCauley, chairman; M. A. Graettinger, Chas. S. McCain, Wm. P. Sharer, Albert L. Schantz, and C. B. Hazlewood, submitted a report which report reviewed the work of its predecessor, known as the Public Relations Committee, and concluded as follows:

Your committee at its first meeting this year decided to prepare and submit to the membership of the Division a list of questions intended to bring out an expression as to what was of greatest moment to state banks, what most desirable and expedient to take up that would be of benefit to the greatest number, and what the committee might undertake in any way that would be of service to our members. The response, while not as general as we wished, brought forth many ideas and expressions from a large number not heretofore heard from but whose importance to our Division is such that we desire to acknowledge our appreciation of the interest manifested.

One meeting of our committee was held December 15, 1921, in Chicago, where a majority were present, together with President Hecht and Chairman John D. Phillips of the Farm Finance Committee of this Division. At that meeting, fol-

lowing suggestions from President Hecht, it was decided to eliminate from our work anything of a general character which might and should properly be undertaken by the Public Relations Commission of the American Bankers Association. It was brought out at this meeting that the Public Relations Commission was performing all work of a character to benefit the Association as a whole and that due care should be taken that no work be duplicated for the benefit of any group at added expense to the whole Administrative Committee. For this reason no further expense was incurred, but our secretary has accomplished through his office a great deal of the work outlined by your committee, and President Hecht has given his time and splendid ability to set forth work that the State Bank Division might properly undertake.

One subject which has been under discussion by your committee is that of

cooperative marketing. This question is of extreme importance and most timely because of the strong cooperation existing in almost every faction of capital and labor, and because of the general prostration that exists with farmers marketing most essential commodities such as wheat, cotton, and other staple necessities such as livestock, dairy and poultry products. The cooperative movement cannot gain great momentum without the support of country bankers, and it would appear to be the special function of this committee and this Division to put forth a united effort to accomplish its complete organization and effective working order, thus benefiting those most who can benefit us.

In concluding this report we emphasize that publicity is a function of the Public Service Committee. Mouth-to-mouth and hand-to-hand publicity of the truth about the banking business and every kindred line of business which handles capital

which is properly apportioned and exploited for the benefit of the greatest number is the antidote for the agitator and the Bolshevik. The demagogue and cheap politician who ride into public office all too often upon a platform or program of vilification of those who are entrusted with the wealth and credit of community centers should have the light of "pitiless publicity" focused upon them. Our country is infested with these parasites and impostors, and the powers of this Association should be used to combat this worst of evils.

Not enough of our membership are active and outspoken; and it is our desire to cultivate mutual acquaintance, establish and perpetuate a better relationship, and draw from our rank and file everywhere ideas and information that will make this Division most useful to its membership and to the American Bankers Association as a whole.

Election of Officers

ON recommendation of the Nominating Committee, consisting of E. C. McDougal, chairman, and Messrs. D. M. Armstrong and E. D. Huxford, the following-named officers of the State Bank Division were elected for the ensuing year:

President—H. A. McCauley, president of the Sapulpa State Bank, Sapulpa, Okla.

Vice-President—J. D. Phillips, president of the Green Valley Bank, Green Valley, Ill.

Chairman of the Executive Committee—W. C. Gordon, president of the Farmers Savings Bank, Marshall, Mo.

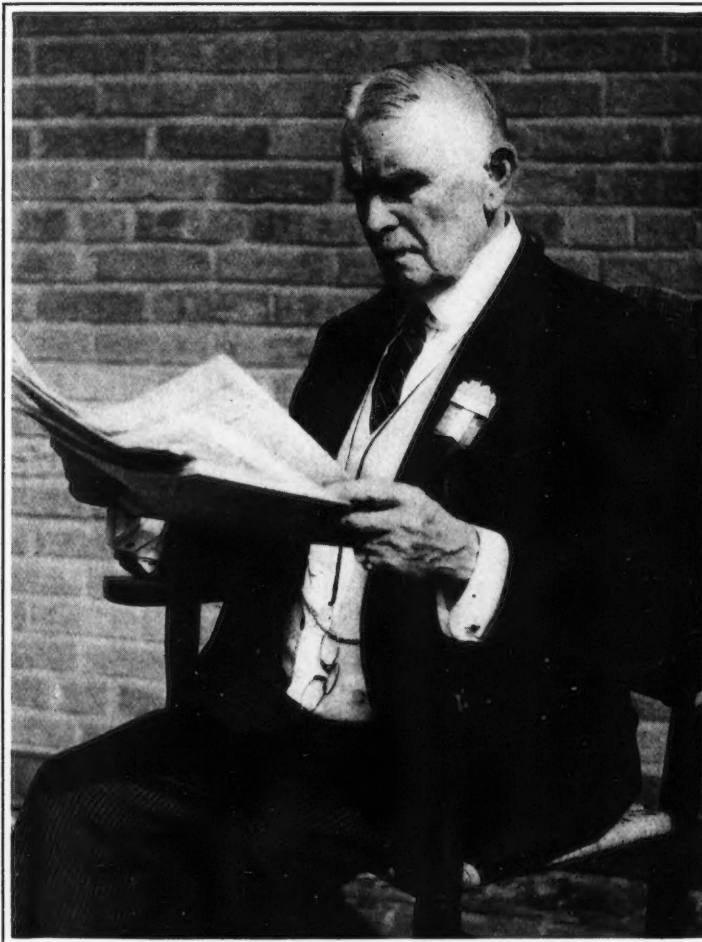
To fill the vacancy for a term of one year caused by the elevation of Mr. Phillips to the vice-presidency, Guy E. Bowerman, of St. Anthony, Idaho.

For members of the Executive Committee for three-year terms to fill the vacancies left by expiration—N. S. Calhoun, vice-president of the Maysville Bank, Maysville, Ky.; W. P. Sharer, president of the Midland Bank, Cleveland, Ohio.

On assuming the presidential chair, Mr. McCauley said:

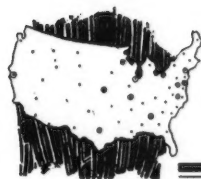
I haven't anything to voice unless it be the sentiment of truth. If there is one thing that the deliberations of this meeting have brought out, and that of other meetings of other years, it is, it seems to me, that we have not reached an understanding among each other. I refer, of course, to the deliberations on the question of exchange and of other things that it seems to me we don't get together on as closely as we ought to.

So that if there is one sentiment that I want to voice in starting out upon this year's administration it is that we adopt the slogan of the truth and confine ourselves to that; analyze our own situation, our own troubles and our own problems, and base them upon that and demand the same thing from those with whom we have dealings

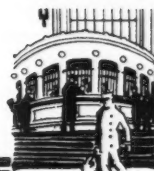


LOGAN C. MURRAY

One of the "Seventeen" Original Founders of the American Bankers Association, which took form on May 24, 1875, at the Hotel Barnums, New York



CLEARING HOUSE SECTION



Rise and Development of the Clearance System

THE Clearing House Section was the first of the Association's departments to hold its annual convention. It convened Monday morning at the Hotel Commodore. After welcoming the delegates, President John R. Washburn called upon President McAdams.

MR. McADAMS: It means a great deal to me as a product of the Clearing House Section to have the opening gun of this great international and national financial congress fired through the mouthpiece of this Section which has done so much toward stabilizing financial conditions in America.

We have long since outgrown the time when the clearing house was a piece of machinery for the purpose of clearing items or even for the exchange of credit information. We find that during the strenuous period of the last two years that but for the cooperation, the consolidation of interests which had been possible through the Association in clearing houses, we would have had many serious local panics, which might perhaps have shaken, had they been allowed to expand, the entire financial structure of this nation.

In Chicago and New York and other large cities, but for the clearing houses and for that character of work, serious things might have happened. There were times during the recent past when we were in imminent danger, and the clearing house and the men who are responsible for its direction in our cities stabilized conditions and made an earlier return to normal financial life a possibility.

It is not my intention to make an address this morning, but simply to welcome you as a part of this great organization of American bankers, and to express the hope that this week, when more American bankers will meet at any one time than ever before in the history of this country, that the spirit of all of our sessions will be to impress upon each of us that we are citizens first, and bankers afterwards, and that going out from this convention we will each realize the privilege that we have of participating in a solution of the many intricate internal problems now confronting our people, but above all, that we shall be impressed with the absolute necessity of having America do her part, whatever that may be, toward solving the problems of the world.

America cannot live by herself. As I have said before some of the state bankers' associations this year, the time has passed when we can sit by the side of the road and watch the rest of the world go by and not care what happens, whether she starves or whether she flourishes.

So it seems to me that we have here today an opportunity which we have never had before, to speak out of this great center of world finance and to send a

message out to our own people and to the people of the world, a message that American finance and American industry is interested in world affairs and is ready to play its proper part in a redevelopment of prosperity throughout the world.

All of the reports, with the exception of mine, are found in the proceedings, and it seems to be customary for the president to read his report, so I shall trouble you for a very few moments only.

President's Report

By JOHN R. WASHBURN

Vice-President Continental and Commercial National Bank, Chicago

In this city, sixty-nine years ago, the clearing house had its inception in this country. The idea originated in England, where, especially in London, clearing houses had been operated most successfully since the latter part of the seventeenth century. After a very short trial here the merits of the clearing house were recognized and the bankers of New York City found in it a system that not only met their needs but offered great possibilities of service to its members. Later similar organizations were formed in Philadelphia, Pittsburgh, Chicago and many other of our larger cities. The New York Clearing House has always been very influential; it has assumed leadership in many emergencies, and through the courage and sagacity of its management frequently has been a potent factor in averting disaster which threatened the entire country.

With the constant development of industry and banking and the resultant growing importance of clearing houses, the number of which increased rapidly from year to year, it became apparent that their usefulness could be augmented by binding them together in an organization. In this manner united effort could be secured in putting into practice more expeditious methods governing the details of local and country-wide clearings. But of more consequence than that, in considering the formation of a body of national scope, was the opportunity to obtain quick and joint action on various questions pertaining to the broader principles of banking and finance. Therefore, at the annual convention of the American Bankers Association held in St. Louis in 1906, a resolution was adopted creating the Clearing House Section, which is today one of the important branches of the Association. As the larger and more influential banks throughout the country are members of the clearing houses of the cities in which they are located, there is hardly a question affecting any part of the banking business, whether it pertains to savings banks, trust companies, national or state

banks, that does not in some way interest particularly the Clearing House Section.

Permit me here to tell you something of the work that has been done during the past year, also something of what is planned for the coming year. This section has unceasingly advocated the adoption of the examiner system by the larger clearing houses of the country. The efficiency of the plan is shown by the highly satisfactory results attained in the many cities which already have it in operation. The examination by the clearing house examiner is not merely a verification of the assets and liabilities of a bank, but a careful scrutiny of the operation of every department. In the report special mention is made of all loans, either direct or indirect, to officers, directors or employees of corporations in which either officers or directors of the bank are interested. The report is kept in the files of the examiner and a copy sent to the president of the bank for the use of the directors, as well as to each member of the Clearing House Committee, and the result is most wholesome.

At the Los Angeles convention, the president of the Section reported that clearing houses in twenty-three cities had put the system of examination into effect. During the past year eight additional cities have done likewise, making a total of thirty-one. A convincing argument as to its inestimable value, one which I should like to emphasize, is its reinstallation by the Portland, Ore., Clearing House Association after a lapse of six years.

The idea is taking root fast and the Executive Committee of this Section feels that before the end of the year in at least eight more cities clearing house examiners will be employed.

From October 1, 1921, to date we have been instrumental in increasing the number of clearing house associations from 274 to 310, or a total gain for the year of 36; 33 being active and 3 inactive—the largest number ever organized in any one year since this Section was created.

To keep our members informed on whatever would seem to be helpful to associations in different sections of the country, we have issued a monthly bulletin which is proving a real medium of information to clearing house secretaries and managers.

In a spirit of encouragement, let me say to you that this year has been the greatest in the history of the Section, and your officers and committees believe that many cities, large and small, are just beginning to realize the significance of the clearing house and of the examiner system. The smaller cities are evincing greater interest than heretofore and we think the time is coming when the clearing house system of examination will become operative in our county clearing

houses as well as in groups of cities where the expense is too great to be borne by one city.

Many of the cities having the examiner system, operate a bureau of credits. These bureaus proved invaluable to member banks during the critical period which has just passed. Other cities without the examiner system are operating similar bureaus, the results being most gratifying.

The Numerical Committee of the Clearing House Section at present is giving a great deal of thought and attention to the matter of finding a uniform way of designating branches by number, in cities where banking institutions have one or more branches. This committee is also cooperating with the Federal Reserve Board in trying to suggest a plan under which district numbers would be used on all checks of member and non-member banks.

The reports of the secretary, the chairman of the Executive Committee and the chairman of the Acceptance Committee, covering the year's work, will be found in the annual proceedings and I hope that all who are interested in the work of this Section will read them.

This report would not be complete without expressing my appreciation of the hearty cooperation given me by the officers and members of the Executive Committee of this Section, the state representatives, the members of the official staff and especially our very competent and tireless secretary, D. A. Mullen.

I crave your indulgence a little longer while I make a brief résumé of what I have attempted to convey to you as the two principal objects toward which we have been striving the past twelve months and toward which we hope unremitting effort will be directed hereafter. One was the establishing of clearing houses. This Section has persistently endeavored to encourage the formation of such organizations wherever and whenever opportunity offered; they have been found to be most helpful agencies for insuring real cooperation among the bankers of the country. The other was the extension of the system of clearing house examinations in the belief that they are highly beneficial to the banks directly concerned and of very great importance to the community. Originally started in Chicago the system has proved in that city, and in many others where tried, that it is one of the best safeguards that can be thrown around the banks. Many concrete illustrations could be cited, but suffice it to say that the employment of high-grade clearing house examiners has resulted in the prevention of tremendous losses to depositors.

After a careful canvass your officers have reached the conclusion that the interests of the Association and its member banks can better be served by this Section through adhering to the policy of concentrating upon the two objects—the establishment of more clearing houses and the employment of more examiners by clearing houses—than in any other manner. We trust that our successors in office will pardon the earnest recommendation that they also set up those two objects as their goal. We sincerely hope that they may come even nearer to their attainment than have we who retire.

Report of Executive Committee

FRANCIS COATES, JR., Chairman

Following the annual convention, the Executive Committee of the Clearing House Section held two meetings in Los Angeles last year, and has also held two meetings in connection with the spring meeting at White Sulphur Springs in May of this year. The committee was formally organized at Los Angeles by the election of a chairman and a secretary, the latter office being continued by Donald A. Mullen, whose services had proven eminently satisfactory during the year just closed.

During the past year careful attention has been given by the members of the Executive Committee to the various problems of clearing house work and procedure, and it is believed that marked progress has been made in bringing the various clearing house associations throughout the country into closer touch with the work of the Section. This has developed a general spirit of cooperation and interest that is very gratifying, and has made possible a material widening of the scope and the value of the work.

The monthly bulletin issued by our secretary has continued to prove a very interesting and valuable feature. In addition to topics of general news and procedure, many special features have been introduced. I mention Bulletin No. 17, "The Examiner System—a Substitute for Guaranty of Deposits," and Bulletin No. 18, "How We Consider the Examiner System," as examples that have done much to promote the clearing house examiner movement, and are proving a strong argument in those cities which now have it under consideration. The records show that eight cities have adopted the examiner system during the past year, and to date twenty-nine other cities (large and small) have the question up for consideration and final decision. We are assured it will be installed in several of them in the near future. Our secretary, and also members of the Executive Committee have given their personal time to the movement, in meeting with various associations and corresponding with others, with the result that this work of the section is being strongly and directly felt in important centers all over the country. Many associations not employing an examiner have installed bureaus of credit. Literature explaining the organization and operation of these bureaus has been prepared and made available to a large number of associations, and in this manner, likewise, has the scope of the work of the Section and its value been extended, and its influence as a constructive organization felt in all lines of banking over a broad section of the country.

During the year a comprehensive campaign to increase the number of clearing house associations has been carried on, with the result that thirty-six new associations have been formed—the banner year in the history of the Section.

The distribution of forms of borrowers' financial statements by the Section has progressed along satisfactory lines and their use has been widely extended. This

has enabled the smaller banks and small communities to secure practical up-to-date forms at a minimum of cost. During the past two years this service has grown into a very valuable feature of the section's activities.

A most valuable contribution to the work of the Section is represented by a seventeen-page pocket-size brochure recently prepared by our secretary, in which is reproduced a series of six short articles on "The Clearing House Idea and the Examiner System," published in October, 1921, by the Chicago Clearing House Association. This merits the broadest possible distribution, not only among banks and bankers but to bank patrons and the public generally. It clearly defines the status of the clearing house and the clearing house department of examination, and recites in telling terms how through their perfect functioning in times of severe stress, Chicago and our country as a whole, was saved from serious financial collapse. It is a testimonial to "safety first" that should be in the hands of every banker and every bank patron, and might well be recommended to clearing house associations for general distribution over the counters of their member banks.

Other important activities may be mentioned as follows:

A. Arrangement with all clearing houses to report not only their total debits to individual accounts to the Federal Reserve Bank of their district, but also to give the total clearings to newspapers and financial publications requesting same. In addition, the manager of each association to tabulate and retain for his own use the total debits to banks and bankers. This in order to preserve the comparative figures of total clearings over a period of years, during which time figures of total debits are being compiled for comparative purposes.

B. Continued effort to effect the adoption of a no-protest minimum, acceptable to the Federal Reserve Board and the American Bankers Association.

C. To enlarge the Numerical System whereby branch banks may be given transit numbers. The matter now rests with the Numerical Committee, in whose hands the decision lies.

D. To have district numbers printed on checks so as to facilitate the handling of them by the Federal Reserve Banks and their members in their respective districts. This now rests with the Numerical Committee for action.

E. Extension of the idea of county unit clearing houses.

F. Extension of the use of clearing house symbols.

G. Assisting in the adoption of standard sizes of checks and drafts.

The full usefulness of the Clearing House Section cannot be exerted other than through the cooperation of the clearing house members, and our experience this year has convinced us that the strongest cooperation comes through the personal contact of member with member. The actual work of the clearing house is initiated by its individual members, its officers, its manager or its examiner, and a strong effort has been made to bring these active elements of the various clearing houses of the country together at this year's convention for a real "get together." To this end we have arranged, in addition to our usual convention program, a special meeting of clearing house examiners and a separate special meeting of clearing house managers. The officers of the Section have made a personal canvass of each of the clearing houses in the

country and of their members, and also of all clearing house managers and clearing house examiners and have extended a pressing invitation to each to attend these meetings. They are to be entirely informal "get-together" sessions, at which will be submitted and openly discussed (no set papers or speeches) the various phases of the work of the clearing houses and of the examiners, as they are conducted in the many sections of the country. Suggestions of topics for discussion have been invited from all sections, and the results in sight are indeed gratifying. We expect to have the best attended meetings in the history of the Section, and the discussions will be along practical constructive lines, participated in by examiners, managers and bankers, and we hope through this means to insert the entering wedge to a field of larger activity and larger usefulness, and to bring about a feeling of cooperation so close as to make each member feel that this Section is his Section, and that he has available a service that will respond promptly and competently to his demand on any question of clearing house procedure.

Report of Secretary Mullen

Following the annual convention held in Los Angeles last year, your secretary endeavored to carry out the wishes of the members of the Executive Committee, by carrying on a strenuous campaign to interest as many of the smaller cities as possible in establishing clearing house associations as well as endeavoring to have those cities which are contemplating the installation of the clearing house examiner system, adopt it. Our efforts have been quite successful due to the hearty cooperation of the officers and members of our Executive Committee and the state representatives of the section.

New Clearing Houses

During the year thirty-six new clearing house associations were organized and admitted to active membership in the Section, increasing the number of active members from 274, the number reported at the Los Angeles convention, to 310.

Clearing House Examiner System

During the past year, a special effort was made to not only increase the number of clearing house associations but to interest as far as possible the associations that had under consideration the installation of the examiner system. Our efforts have met with a large degree of success, as eight cities have installed this system of examination this year, increasing the number to thirty-one. At the present time twenty-nine cities have this under consideration and I believe before the end of the next year, a goodly number will be added to those cities which already have it in operation.

Acceptances

The Acceptance Committee which functions through the Clearing House Sec-

tion, has been cooperating with the American Acceptance Council in its campaign for a better understanding of the acceptance practice and has without a doubt performed a real service to the banking fraternity of the country.

Condensed Financial Statement Form

Interest in the condensed financial statement form recommended by the Section has been increasing during the past year. Your secretary has received hundreds of requests for these forms which are becoming more widely used by the banks throughout the country.

Standardization of Checks

Requests for information pertaining to the standardized form for checks and drafts are being received from time to time, showing that our members are more than willing to cooperate with the State Secretaries Section and this Section in bringing about a uniform size for checks and drafts.

Report of Bank Clearings and Total Debits

Our Section is cooperating with the Federal Reserve Board in an effort to have all clearing houses report to the Federal Reserve Bank of their district, their total debits to individual accounts weekly, so that it will be possible to build up a record of statistics which may in the future be used for comparative purposes. It was the sense of the meeting of the Executive Committee at White Sulphur Springs last May to ask the clearing houses to report not only bank debits to the Federal Reserve Banks of their districts but to give their weekly bank clearings to all financial publications wanting them. In addition we have asked the clearing houses to compile their total debits to banks and bankers for their own use.

Universal Numerical System

Our Numerical Committee at the present time is endeavoring to work out a plan which they hope will provide for a uniform method of designating branch banks by a numerical number in those cities where branch banking has become so popular.

District Numbers

Our Numerical Committee at the present time has under consideration the matter of providing district numbers for all checks of member and non-member banks which would facilitate the handling of them by the Federal Reserve Banks and their members.

No Protest Symbol Plan

At the present time we are working in conjunction with the Federal Reserve Board in an effort to adopt a uniform no-protest minimum amount. The Section has advocated the \$20 minimum which has only partially been adopted by the

banks of the country. A campaign is about to be started in an endeavor to have the institutions in favor of the \$10 minimum, adopt the \$20 amount.

The following activities are recommended for the coming year:

That as a Section we again encourage in every way possible the organization of new clearing houses, city, county and country, with special efforts on the county organization plan.

That every effort possible be made to further the extension of the clearing house examiner system which is working to the satisfaction of the bankers in those cities where it is now in operation.

To cooperate with the State Secretaries Section in every way possible to bring about a standard form of check and draft.

To cooperate with the American Acceptance Council in the further development of the acceptance idea.

To cooperate with the Federal Reserve Board to the end that a uniform amount for the no-protest symbol may be adopted.

To bring about if possible a uniform plan of numbers which can be adopted by the banks of the country in designating their branches.

To bring about a system whereby all banks will be given district numbers.

Continue the publication of the *Monthly Bulletin*.

President Washburn announced the following committees:

Nominating Committee: Fred A. Crandall of Chicago, chairman; Harry Haas of Philadelphia, and A. O. Wilson of St. Louis.

Committee on Resolutions: Raymond F. McNally of St. Louis, chairman; Carl W. Allendoerfer of Kansas City; John R. Downing of Louisville, and Howard Marfield of New York.

PRESIDENT WASHBURN: Many able men from our neighboring country to the North have joined the banking fraternity in the United States, and have gained fame and fortune by so doing.

About thirty years ago an ambitious but evenly balanced young man of promise left Canada to make his home in this country. In the territory of his influence, namely Northwestern Iowa, Northern Nebraska, Southern South Dakota, and Southwestern Minnesota, John McHugh became known as a close student of finance, and a practical, thoroughly trained banking official.

Although the territory just named is of great extent, enormous wealth and marvelous business possibilities, it was but natural that a man of his peculiar ability should aspire to broader fields and that larger financial institutions than the one over which he presided in Sioux City, should recognize his merit and bid for his services. The result you all know. Sioux City and its prosperous section lost a great financier in banking, and New York thereby gained one. We honor him as an ex-president of this Section who did much toward its upbuilding, and I take great pleasure in introducing John McHugh, president of the Mechanics and Metals National Bank of New York City.

The Acceptance Committee

JEROME THRALLS, Chairman

Your Committee on Acceptances has pleasure in reporting that interest in the acceptance method of financing has increased materially during the year; a refining process has been going on; a better understanding of the method has been gained and many of the abuses that naturally crept into the system during the war inflationary period and the deflationary period that followed have been eliminated.

The work of the committee has been carried on chiefly through the American Acceptance Council—a body composed of banks and business concerns maintained strictly for educational and informational purposes. In this way our work has been conducted at the minimum cost and with the maximum of efficiency. The expenses of the committee have been \$100.

While the volume of acceptances outstanding is considerably below the high peak, it is noted that the prime names are still in the market and active. The shrinkage in volume is in part due to lower prices, shrinkage in our foreign commerce, the return to financing with direct loans, and the return to the London market of business that can be handled there more conveniently and more economically and which was temporarily diverted to America during the war.

The committee has interested itself in the cooperative plans under which the marketing and financing of our major agricultural products are being materially facilitated. The acceptance syndicate method is now being used to great advantage in conjunction with properly organized producers' and growers' organizations. Through these plans, wide cooperation of growers, producers, banks, buyers and sellers is made possible with advantages and profits to all interested.

The committee is continuing its efforts to get the laws amended in the various states so as to give savings banks and trustees of estates greater latitude in their investment in acceptances; also to enable life insurance companies to invest in prime bankers bills.

Headway is being made in the development of the open discount market. It has become a most valuable factor in financing our foreign commerce, in stabilizing our money market, and in supplementing the commercial banks and the Federal Reserve banks in providing facilities for financing our domestic trade.

While both bankers and trade acceptances have demonstrated their full worth, much is yet to be done in order to perfect the acceptance method of financing here in America. Your committee, therefore, respectfully recommends the continuation of the work that has been entrusted to its care.

Looking Ahead, the Banker's Responsibility

By JOHN McHUGH

President the Mechanics and Metals National Bank, New York

THE Clearing House Section of the American Bankers Association is, in my opinion, not only one of the most valuable divisions of the Association, but one of the most valuable avenues for the advancement of sound banking doctrine in the country. It has to its credit the development and fulfillment of many constructive ideas, and will undoubtedly continue its good work with good results for many years to come. Time moves so rapidly and the clearing house idea seems to be of such recent development, that many of you will be surprised to learn that the New York Clearing House Association, where the clearing house idea had its inception, will have rounded out seventy years of useful service within a few months. It was in 1853 that the New York Clearing House Association was organized, without, I dare say, a single one of the bankers responsible appreciating in even the smallest degree the future importance to the whole country of what they were doing. Upon the success of the New York experiment, clearing house associations were established in practically every large city of the United States, and today even the small cities and towns have come to recognize the advantages of the system and to this end the indefatigable efforts of the Clearing House Section have been most helpful. Experience has proven beyond all question that there is no form of organization among banks that is less expensive to maintain and yet more effective and valuable than that of the local clearing house association. It serves as a medium through which the banks of the community may cooperate to strengthen and protect themselves, and at the same time better their facilities in order that they may render greater and improved service to the public.

Every sign would seem to indicate that the time is not far distant when all towns and cities having three or four or more banks will have a local clearing house association. Our small country banks have far more to do with the administration of our country's affairs than many of us realize. With approximately 30,000 banks in this country, 20,000 have a capital of \$50,000 or less and a major portion of them located in towns of 10,000 or less. These are an important factor in our future welfare, and this fact, reduced to its lowest term, means that these banks, because of their number, location and influence, must cooperate locally in the same manner that the city banks have done through their local clearing house association. This idea is already being carried out by the successful organization in many instances of a county clearing house association, taking in all the banks in a given county.

Active clearing house associations in our smaller cities and towns promote the general welfare and usefulness of the banks. They promote a closer personal and business acquaintance among the members, secure cooperation upon matters affecting their interest, and facilitate the free discussion of subjects of importance to the banking interests of the community.

Stabilizing Force

As a stabilizing force in any community, the clearing house association proceeds about its business with so little visible effort that it is hardly reckoned as one of the guiding powers until the storm comes. In times of financial stress, the identity of the banker is sunk in the action of the group, and the group has never failed to act promptly and with wisdom. The achievements of the clearing

house associations in the panic year of 1907 as well as the months following the outbreak of the World War, need not be related to you. It was in these periods that through the well directed use of the equipment and machinery of the clearing houses of the country, untold financial losses were averted.

The Clearing House Section of the American Bankers Association is constantly and industriously endeavoring to promote this character of cooperation and uniformity of community action. It not only urges and promotes prudent and constructive banking but the most modern and effective methods to insure the greatest measure of service. It is needless to say that it should have, does have and will continue to have the whole-hearted approval and support of the bankers of the country.

Looking away from our own immediate affairs and taking the wider view, most of us are at times a little bit bewildered by all that is going on about us. At every preceding convention of the American Bankers Association and its sections, interesting and pressing problems have been the subject of discussion. But I wonder if at any previous convention there was opportunity for discussion of more important problems than those which confront us today, problems I mean, that in every aspect have a tremendous and unavoidable bearing on the welfare of every community and every individual within the United States. We came long ago to see that the war had brought a great turn in the tide of our affairs. The four years that have elapsed since the war was terminated have brought still another and, I believe, greater turn in the tide of affairs. This turn has not been marked with the vividness of the war, nor by such soul-stirring events as

those of the tragic days which preceded the armistice. But it has brought us into an epoch that is altogether new, and we are today face to face with problems, that, as I have just said, bear tremendously and in every aspect on our welfare.

I shall not, right off, present a pessimistic recital of these. Indeed, before I come to mention a single one of them, I wish to go on record in regard to their outcome that I am unqualifiedly optimistic. History has no record of civilization having collapsed under problems such as these we now face. On the contrary, its pages relate the fact that mankind not only faced such problems but overcame them and went forward in spite of them. So far as this country is concerned, I am optimistic because after all the initiative for overcoming existing difficulties and for attaining true prosperity lies in the hands of the most resourceful body of thinkers and the most constructive body of workers in the world—the American people.

What impresses me so profoundly, and what causes me to look so confidently to the future is the way in which America has progressed in the past few years, despite every ominous cloud that has overshadowed the country, despite every blunder that has been made—and there have been many of them—and despite the waste that has attended all our national difficulties. Dating from the outbreak of the war one cloud after another has darkened our progress. Deflation has been a trying experience. Wealth, and what was thought to be wealth, in many instances has been wiped out. Costly mistakes have been made, alike in business, finance and politics. Strikes have followed one another and have brought loss to employers, employees and the public generally and have seriously checked business.

Against all this, we have gone forward. More, we have gone forward so far that as a people we have come to occupy a place of world leadership which is as undisputed as it is unparalleled.

Strong Banking Position

A brief review of our condition shows that we enjoy a strong banking position, an ease of money rates, a large industrial output, an abundant harvest, and a large buying power among the rank and file of the peoples. It shows an upward course of security values that reflects a large degree of confidence in the future. Money and credit for all legitimate purposes are plentiful and will continue so indefinitely. Crops have been good in the great agricultural sections of the country, the yield is abundant and far in excess of our domestic requirements, and the value of the harvest is \$1,250,000,000 more than that of last year according to government estimates.

It may be thought that this optimistic view is somewhat narrow because it is national; that while we have made progress other people have gone back; that eventually misfortune abroad must tell on us. It is true that our happiness bears a contrast with that of other people. Europe in particular is weighted down with difficulties, and its peoples are blocked at every turn from attaining true comfort and prosperity. But even with regard to

Europe, none of its difficulties has kept the world from moving, and what should offset pessimism is the repeated measure in which the difficulties of that continent, which were thought by every one too heavy to bear, have been tided over.

Go back to 1919, the first year after the war, and recall the extreme pessimism which pervaded public opinion regarding the then existing business and social conditions. That pessimism was not warranted. The public judgment was wrong, just as it has been wrong every time that an imminent social collapse or financial crash has been predicated for one or another European country. Europe has not by any means overcome its terrible war legacy, and at times it is true it does seem destined to go down under its weight. With certain exceptions, however, its countries, have borne up for four years under that legacy, and have made headway against terrific odds. So there is every sound reason to believe that socially and economically Europe will eventually recover.

Europe, by its present suffering, is paying a part of the price of the war that destroyed ten million lives, wiped out three empires, warped all conceptions of right and wrong, and dissipated the wealth accumulated over three generations. Russia is today poverty-stricken and isolated. Austria is no longer even a shadow of its former self; Germany bears a burden that drags heavily upon her. The misery of people in those countries which are the greatest sufferers from the war finds its reflection everywhere. It underlies, or at least directly affects, virtually every problem that confronts us.

Ground for Hope

Yet there is ground for confident hope regarding the future of Europe, and I believe that this hope will be increasingly realized. I am especially inclined to say this because Europe's chief difficulties are at last crystallized, and have forced an increasingly sympathetic treatment on the part of those men whose hostility to one another, until recently, and whose bitter jealousy and misguided national ambitions, kept them from coming to any common agreement.

A notable sign of change abroad is the recognition of the dominance of economic forces over political forces. The great mistake of those who drew the Peace Treaty of 1919 was that they set political forces over economic forces, and established borders and dictated policies on a basis of political expediency without proper regard for economic relationships. This mistake was carried forward, and so long as Europe's point of view was primarily political, no economic stabilization could be looked for. "Indeed," to quote from a recent letter from one of England's leading banks, "it may be said that the present sorry position of Europe is due to the refusal to face facts, a policy which seems to have dominated statesmen since the war was brought to an end."

Stabilization of Europe

It will be remembered that the Genoa conference and the Hague conference

failed and the Paris conference of the past summer disbanded without success because of the hostile and unbending attitude which statesmen bore to one another. For the moment, matters continue for the most part in the hands of those same statesmen. They are showing, however, a marked change in their attitude toward one another and in their point of view. Tolerance and a capacity to work out problems from now on must be essentially the attributes of those entrusted with the practical supervision of existing affairs, if those affairs are to work out properly.

The fundamental remedy for the plight of Europe is what may be called, in a general term, stabilization. We have heard time after time that stabilization cannot be artificially hastened, but that it must come as a result of the remorseless working of economic laws. But as a matter of common sense Europe's leaders cannot permit chaos to dominate their acts without some intelligent and cooperative effort to put matters right. The economic weakness of every country abroad springs from the destruction of international confidence. It can be swept away only as international confidence is restored, and as the interchange of credit, on a firm basis, is renewed.

This means that international obligations must be adjusted in a way that will permit individual nations to progress. It means a balancing of national budgets, an ending of the orgy of inflation, and a return of currencies perhaps with the help of our gold—to a fixed standard.

A unity of ideas among the nations regarding credit is a prerequisite of any constructive action with respect to their most pressing problems. Hence, before gold begins to flow back to Europe, before disordered currencies are taken in hand, and before international exchanges are regularized, a real basis for peacetime relations must be adjusted, and then made fixed and certain. The huge debts due by nations to one another must be compromised where necessary and then funded. New long term credits, for the purpose of stabilization, must be granted.

Too Much Advice

These problems are primarily for Europe to determine, and perhaps it behooves us to refrain, as we have been advised to do, from giving too much "smug advice" for solving them. But they are related very directly to the trade and prosperity of the United States, as we have already learned, hence it cannot be considered bad taste on our part to give voice to the hope that these problems will soon come to settlement through negotiation and conference and in a spirit of tolerance and good will.

Some of us perhaps feel that we have no interest in the fixing of the German reparations. As a matter of fact, this particular proposition has a very significant interest for us, not only because of its fundamental relations to international trade and finance, but because of the extent of America's contribution thus far to the payment of the reparations.

There are no exact figures available, but it is conservative to say that several hundred million dollars of American

money has been invested (with the hope of profit on the part of the individual buyer, it is true) in German marks, at prices ranging from 8 cents downward. The Comptroller of the Currency has estimated the total of all foreign currencies bought by Americans at \$500,000,000; the bulk of this outlay, in all likelihood, was for marks. In addition to the paper marks actually owned and held here in the shape of currency, there is also a large amount of marks purchased through regular banking channels and held within Germany itself, on deposit in banks.

In this manner, American funds, with the funds of people of other countries outside of Germany, have been placed at the disposal of Germany, so that instead of Germany itself making the full payments for reparations, nations that were victorious in the war have made a very considerable contribution.

The process has been simple enough. Germany has no favorable foreign trade balance out of which to meet its foreign obligations, and has been unable to secure outside loans for that purpose. Hence, those in control of its finances have turned out billions and tens of billions of paper marks, selling them in large part in outside countries for whatever gold value they could obtain, and turning that gold value over in payment to Germany's creditors. By selling marks the German interests have established balances in New York and elsewhere, against which they have drawn to apply on their reparation payments.

America Has Helped to Pay

In brief, then, America has contributed handsomely, although unintentionally, to the payment of Germany's war penalty. How costly the operation has been may be judged when it is pointed out that at current quotations, the marks for which an American paid, let us say, \$100 are worth less than \$2. This difference, multiplied by as many times as there are Americans who bought marks, measures our present loss through Germany's violation of every sound rule of finance, by which, when all is said and done, so many of our people have been victimized.

The German mark has ceased to be the attractive investment it was heretofore thought to be by Americans who had confidence in German thrift and industry, hence the volume of American dollars that was going into marks has greatly decreased. And it is safe to assume that this same attitude has been taken in other countries where the public heretofore bought heavily of marks. The result has been a greatly reduced addition to Germany's credit balances abroad. With its marks unable to establish large foreign balances, without a substantial foreign trade balance, and without credit against which it can borrow, Germany is hard set to meet the reparation terms, hence we have every reason to believe that an early understanding will be reached which will avert utter chaos with respect to Germany's financial affairs.

From a trade viewpoint, our interest in all of this is very direct. Germany as an industrial nation has always occu-

pled a large place in the trade of the world. Although an exporter of finished goods in competition with ourselves it has been a large buyer of our raw products. We look for Germany in the future to buy heavily from the United States, and we have, therefore, more than a passing interest in the terms that are fixed upon Germany by which its obligations are to be permanently established, and by which its future place, economically among the nations, is to be determined.

With regard to international financial relations generally it is an intolerable situation that we contemplate at present, no matter what the angle of our view. As for the part we have to take in mending matters, that must, of course, depend upon how Europe's statesmen rise to their opportunity; it must be governed by their plans. When it is seen that the point has been reached where America can be really helpful in working out the solutions, I have no doubt that we will change our present inclination to stand aloof, and will, both with our counsel and tangible aid intelligently directed, do our proper part in solving the major difficulties which beset the world.

Though this may still be a time for "watchful waiting," it would be helpful to ourselves as well as others were we officially represented abroad on the commissions which are striving to settle controversial questions and aid recovery. Our representatives would not need to have the power to involve the United States in tangible commitments, but they could have a voice in the settlement of disputes and in the consideration of these measures which affect the destiny of nations which are debtors to the United States and are the principal oversea buyers of our products.

I have seen copies of cartoons appearing in foreign newspapers which show Uncle Sam, sleek and satisfied, seated at his door comfortably enjoying a cigar, while across the water from him Europe is shown burning up, its miserable people helplessly looking on. To make their point, cartoonists exaggerate their subjects; still, there is enough in the pictures which are appearing to make us ask ourselves seriously whether Europe's condition, which is a result of its war calamity, has not a larger bearing on America's destiny than some of us are still willing to recognize.

American Isolation

I am not going to offer criticism of American isolation. Nor shall I plead for less absorption in our own affairs. If we are blessed with courageous and clear-sighted leadership, we are bound eventually to go beyond our isolation barrier as far as we should go, and in any case, time is bound to widen our vision and adjust our absorption in domestic affairs. Our own affairs must of course always come first; your home and family, and mine, mean more to you and me than anything else in the world. Then, too, there is so much for us to do at home; opportunity was never greater. Sir Auckland Geddes, the British Ambassador to the United States, showed his understanding of this when he said last July in a speech made in London:

"America has given to the world the riches of a continent which but yesterday was a wilderness. Of course she is absorbed in her own affairs. How could she be otherwise? Her thought is in that tremendous structural and industrial work which has made her one of the greatest nations on the earth. That is a problem as close to her as our problems are to Europeans."

Our tremendous structural and industrial work, however, have been built up not in relation to our own markets alone. They have been built up to gain as well the benefits of the broad markets of the world. Our civilization is tied up very closely with the civilization of other people, and this means that our standard of living is dependent in a large degree upon the standard of living in other parts of the world. Therein lies our interest, beyond the common human interest in our fellow man, in hastening the recovering of Europe.

The time, then, has come to determine upon a definite policy with regard to the Allied debts to the treasury of the United States. Other speakers during this convention week are to make this theme their topic, and I will not therefore presume to anticipate what they are to say. At the same time I feel that my discussion would be incomplete without reference to these debts, which next to Germany's reparations obligations, comprise the world's greatest and most complicated single problem of international finance.

Compromise—Not Repudiation

To date these debts amount to approximately \$11,700,000,000, adding accrued interest to principal. The debts are fairly due. At no time were they considered in the nature of a free gift. On the contrary, they have been recognized and acknowledged as the solemn obligations of individual sovereign states, and there has been no suggestion from a single one of these of repudiation. At the same time, circumstances have arisen so far beyond the control of those concerned that the proposition is seriously made to cancel these debts in whole or in part. This involves compromise, not repudiation. Compromise is prompted by the abnormal state of international exchanges, the difficulties of the world's credit problems, and the circumstances under which the obligations to us were contracted.

With respect to the debts of other governments to us, growing out of the war, the determination of the question whether they should be cancelled in full, in part, or not at all, should be given careful study by the American people generally, for the reason that we can progress to a solution only when and so far as public opinion and understanding approve. By dealing in a large visioned and liberal manner with the debts due us, and exercising our credit power wisely, we can go a long way to mitigate the circumstances which keep Europe in turmoil. If any portion of the debt be cancelled eventually, a direct benefit may result to us even though at first it would look as though American taxpayers were being penalized for the benefit of others. A partial cancellation would be a con-

tribution to world stability on our part if it served the purpose of compelling an adjustment of the difficulties which now serve as a curse on Europe. Such a partial cancellation could readily be made contingent upon agreements as to the balancing of budgets, the curtailment of inflation, the reduction of armaments and the elimination of governmental waste.

There is to be considered in connection with the compromising of foreign government loans, the extension of new loans to those very interests who are relieved from existing obligations. As time goes on, new loans will be called for; measures will be taken abroad to secure our surplus gold; loans will be negotiated in the interest of trade. With a capacity for production beyond our own immediate requirements, we shall continue to look to foreign markets for an outlet for that over-production. Our cotton, wheat, copper and oil, to mention only a few raw products, and a large number of manufactured materials, are produced in greater quantity than we ourselves can use. Whether we will go on with the over-production in the future depends on whether foreign markets absorb our surplus, and that, in turn, depends in large measure on whether we can and will adequately finance our foreign trade.

This will continue to be one of our national problems for some time to come. But do not misunderstand me in this: It is not my purpose to maintain that the United States should henceforth indefinitely turn over every year a great surplus of goods to consumers abroad, piling up endless credit balances until they grow so large as to destroy all hope of their settlement. Europe indeed needs gold, goods and credit, and we are in a position to furnish them. The increase of our investments in foreign securities would enable foreigners forthwith to increase their buying power, and in that degree

would enlarge our exports. This would mean shipping goods abroad on credit, and everyone familiar with the history of the past few years recognizes that today's economic maladjustment between Europe and the United States traces its cause to that practice. Europe gave its notes for billions of dollars' worth of American goods, and the result has been an unbalancing of the international scale-pans to a degree that would have been regarded as inconceivable before the war.

Additional foreign investments by the United States will not constitute a permanent remedy for Europe's malady except on one condition; that is, if they are followed by a vast increase in Europe's productivity, resulting in large annual payments to us against the charges accruing on these investments. If we receive such payments in the form of goods, can we hope, other things being equal, to maintain a permanent large excess of exports over imports? The answer quite obviously is "no." Our commerce needs to be carried forward on the primary principle of an exchange of goods; imports of those things which we do not produce cheaply should balance as far as possible the export of those things which we produce in abundance.

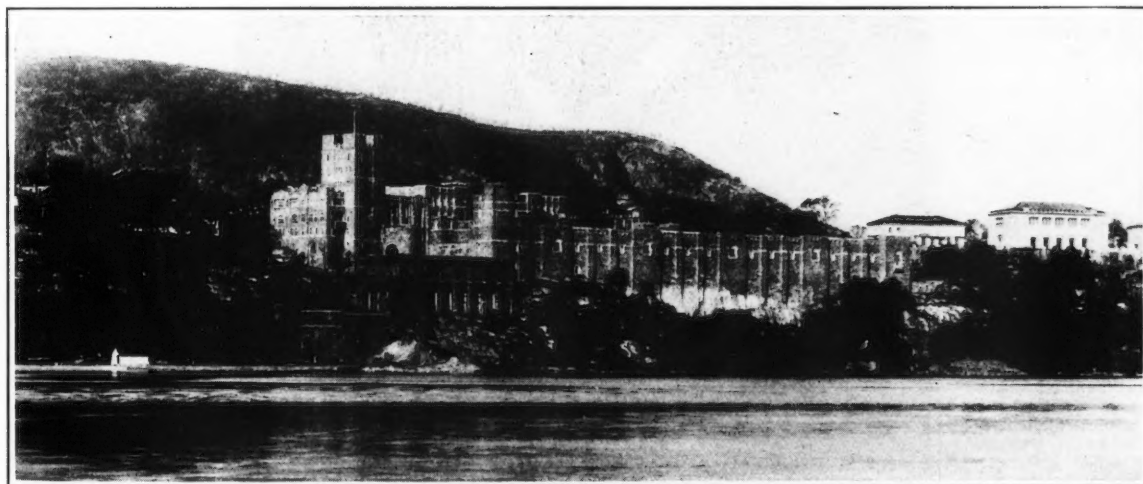
Where credits are from now on granted to finance a surplus of exports over imports, they should be granted with the utmost care, with a full appreciation of their proper relation to the primary principle of foreign trade, and with a definite understanding regarding their payment.

In considering all these things we must look forward to the time when Europe recovers its place in trade, and we must prepare ourselves for the inevitable adjustments which are to occur. We shall not always be coincidentally the world's greatest creditor and export nation on balances. Nor, I take it, would any of us want to be.

The moral and financial power of the United States is greater than has ever been known of any nation in civilized history, and in considering this in connection with all our international problems, we should keep in mind that we, as the great creditor nation of the world, occupy a position directly opposite to that which we occupied prior to the war, and it is well to have in mind, too, that by helping others to help themselves we shall indirectly help ourselves, and reflection will be found in improved domestic conditions and values.

America can afford to look forward with assurance to its future, not only because of its supreme strength and the intelligence and adaptability of its people, but because every lesson of its history teaches that in overcoming its crises it has always given a new and firmer direction to its prosperity. The amazing thing about our complex civilization is that every situation, supposedly unsolvable, has been solved, and that through it all our civilization has gone forward to higher levels.

I have confidence that if our important problems receive the careful thought and study they are entitled to, on the part of the public generally, the correct solution of all of them will be found. But let us face them and not temporize with them. I say this because I feel that the civilization of the future rests in no small measure on American manhood. That it will go forward is a conclusion which none of us will question for a moment. But to carry it forward, direction and guidance are needed. This means leadership. "Time and nature," wrote Ralph Waldo Emerson in one of his famous essays, "yield us many gifts, but not yet the timely man." Let us believe that what Emerson wrote fifty years ago will not apply now; this truly is a time, more than ever, for "timely" men.



West Point from the Hudson River

Brown Bros.

Labor Unions

By L. F. LOREE

President, Delaware and Hudson Company

ON August 18 the President of the United States, in the performance of his constitutional duty of addressing the Congress on the state of the nation advised, "The simple but significant truth was revealed that, . . . the country is at the mercy of the United Mine Workers." If this land, where as Lincoln said at Gettysburg—

"our fathers brought forth a new nation, conceived in liberty"—

has passed under the yoke of bondage, if we must indeed now bend the knee and bow the head to tyranny, we may well consider all other matters for the time of minor importance. It is unthinkable that this country, where all have had equal opportunity, where the individual energies of man have been uncramped by oppressive social institutions or absurd distinction of caste or class, is to have the powers of the more highly gifted as well as the general welfare stifled by this monstrous growth.

What is the Labor Union, and what is the meat on which it feeds, that it has grown so great?

The modern labor organization rests upon a definite separation between the functions of the manager, the capitalist and the workman, between the direction of industrial operations and their execution in detail; between the brain worker and the property owner on the one hand and the manual workers on the other.

Existing in one form or another for perhaps 200 years, it is only since 1860 that it has acquired great financial strength and permanence of membership, through a combination of the functions of a trade protective society; with the calculated pressure brought by the dominant spirits upon the isolated, unprotected individual; and a transfer of the leadership from the casual enthusiast and agitator to a class of permanent salaried officials.

The total membership of these unions aggregates about 3 per cent. of the population and 8 per cent. of those engaged in gainful occupations. What gives them significance is their massing so as to form a powerful element of the industrial world in certain industries; mining, transportation, the textile, building and machinists' trades.

The skeleton of the trade union world, and the vital element in its politics, are the permanent salaried officials, some 20,000 or more. Its government rests exclusively in the hands of the officials of the great associations, numbering less than a thousand, and these in turn are dominated by an inner circle of a few score men.

We seem to have passed from the condition of "organized labor" to a condition of "labor professionally organized," where the great mass responds to pressure from above, exploiting and being exploited for the benefit of its rulers; whom President Harding suggests have now become our rulers.

For the most part their avowed policies are rank economic heresies—the creation of an artificial scarcity of labor by limiting the number of apprentices to one for four or five journeymen and extending the term of the apprenticeship over an absurd length of time, by enforcing a limitation of handy men, by limiting their progression in the trade, by keeping out aspirants by large initiation fees or

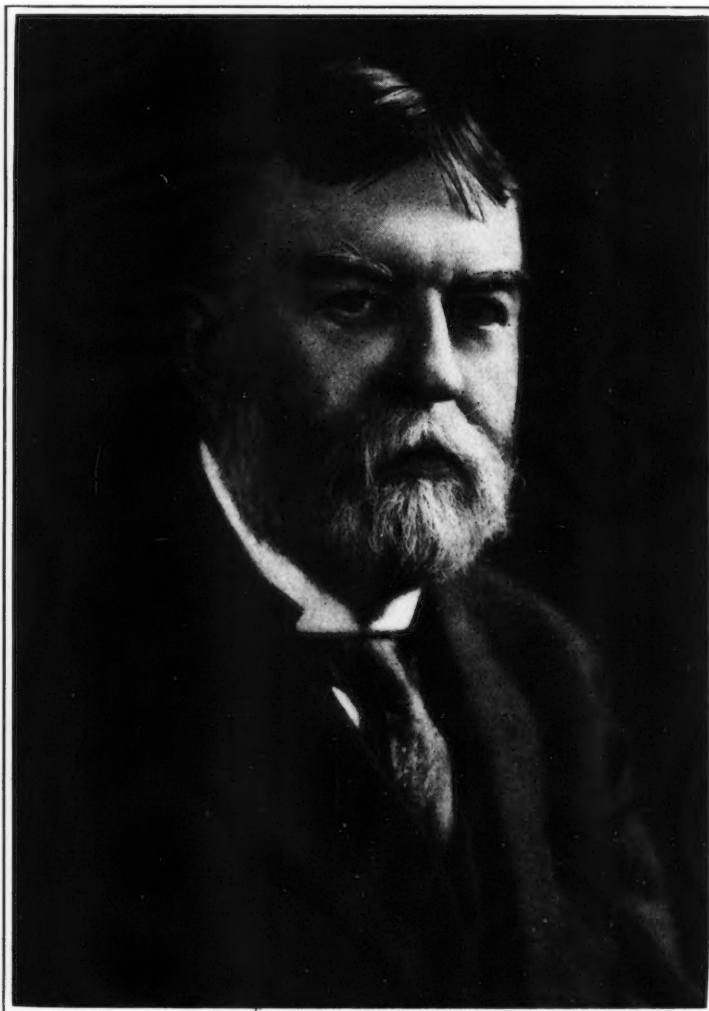
other penalties, by restricting output; while opposing as a deadly curse all labor-saving devices whether of mechanical tools, power development and transmission, or the effort of management through piece-work bonuses or other skillful arrangement of organization.

Frank Tannenbaum, a radical unionist, saying publicly what he claims the others say in secret, states in his recent book — "The Labor Movement":

"Unless we see the labor movement as an irresistible coming together of men in terms of the tools and the industry which they use in common, for purposes of greater security by more effective control of them, we cannot and do not understand the labor movement at all. . . . The struggle of the worker and the employer is an inevitable one until either the worker has been reduced to an impotent tool of the profit motive in industry has been displaced. . . . To do this it is necessary also to control the state.

"The method of the labor movement is to make the function of an industrial group a conscious group function, . . . to transfer the power of the community and discipline, from a political to an economic affiliation. . . . Power shifts from the political grouping to the industrial, as the workers organize."

With these frank statements of the aims and implications



L. F. LOREE

Underwood & Underwood

of organized labor there go equally frank statements of its practices:

"The eight-hour day serves many purposes. But the one which is predominant in the minds of the workers is the belief that it will make more work and will make what work there is last longer. . . . Next to the hours of labor that a man may work is the amount of work a man may do during those hours. Limitation has become a general policy for the workers. . . . The theory of the survival of the fittest has no economic implications within an organized group of workers. . . . It works by cumulatively reducing economic incomes, economic ambitions and economic incentives to a common denominator, wiping out the differentials between the unskilled and the skilled."

As to the future, Mr. Tannenbaum's attitude is happy-go-lucky. He posits the question, "What will happen to incentive?" and his own reply is:

"the easiest and probably the best answer that can be made is that it will take care of itself."

In all these things they war against society, whose vital interest is increased production, an interest, could they but see it, especially vital to labor, unionized or free.

Wages

What can we say of wages? When business is brisk the very formalism of organized labor prevents the rise in the wages of its members from being as rapid as that of free labor, while when business is slack their efforts to retard the decline in wages affects the nominal rather than the real wage, the pay check rather than the purchasing power. This benefits no one since the level of wages is reflected in the level of prices, while refusal to adjust wage rates diminishes earnings by preventing continuous employment. Everyone is interested in seeing that the workman gets a liberal wage. It insures a high standard of living, of the first importance, not only to the individual and his family, to the community and state, but to the future of society and the race. If you were moved only by selfish interests you would have to bear in mind that wages are the most rapidly flowing of all the streams of money and so the source of the largest profits to the traders.

Just as you are interested in a liberal wage scale so are you interested in the effort to set a proper limit to the duration of toil. But this question is to be resolved not by appeals to sentiment or emotion, but by the dry light of reason. What do we know about hours of labor? Only this, that if we all stopped work the last survivor would be dead in eighteen months, and that formerly working ten hours per day we were all in a high state of advancing prosperity. The eight-hour day and the six-hour five-day week have never been subjected to the test of experience. What we can say with confidence is that the spread between eight and ten hours is sufficient to take up if properly utilized all the fluctuation of good and bad years; to stabilize labor and insure continuity of employment; and to avert the growing demand that we again open the doors to a flood of unrestricted immigration.

Right to Organize

The assertion that "the right to organize is denied" is a man of straw set up to be knocked down. What is of moment is the implications of the organization; whether it lacks the ability to maintain itself unless, as set up in the recent proceedings of the Attorney General at Chicago, it resorts to murders, beatings and sluggings, shooting of men at work, poisoning their food, beating and terrifying their wives and children, and destroying the property of employers; rising from misdemeanor to criminality, from abusive language to the bombing of the Los Angeles Times or the massacre at Herrin, Illinois; whether the attack upon the individual, the use of the organization to close-the-shop to all not of its membership, condemning the others to a living death, or whether the incessant attacks upon the police power of the state, the condemnation of the state's constabulary, the state's militia, the injunction power of the state's courts and all other of its instruments of power, evidence the purpose to set up the supremacy of the union over and above the law of the land.

No society or state may regard with unconcern the growth within its midst of "secret societies." The "Order of the Illuminati" and the "Jacobin Club" of the French Revolution and of the "Terror" have their logical successors in organizations which in our time seek to overthrow the government and grasp the reins of power. Only the entire citizenry can be loyal to a form of government. A particular class will attach itself to the government only if the government confers benefits upon it. It is to the interest of every citizen that we should have, as our fathers contemplated, a commonwealth founded upon industry and frugality and recognition of the rights of those who save and invest, wait and lead, take risks and responsibilities, as well as upon those who obey and work with their hands.

Have We Lost Faith?

What has made possible this growing menace? Is it that we have lost faith in ourselves and in our work?

John Maynard Keynes, writing on the "Economic Consequences of the Peace," says:

"We are . . . faced in Europe with the spectacle of an extraordinary weakness on the part of the great capitalist class. The terror and personal timidity of the individuals of this class is now so great, their confidence in their place in society and in their necessity to the social organism so diminished, that they are the easy victims of intimidation. . . . Now they tremble before every insult, . . . and they will give you any ransom you choose to ask not to speak of them harshly. They allow themselves to be ruined and altogether undone by their own instruments, governments of their own making, and a press of which they are proprietors. Perhaps it is historically true that no order of society perishes save by its own hand."

Capital has no reason to be abashed by any analysis of the part played by it in civilization. It has made that civilization possible. It has given to every hour of honest toil more than it could have obtained under any other system. At their worst our times because of it are

better than what went before. Every capitalist ought to understand this, to make it his living faith, and to be by it inspired with courage. Let us recall the saying written upon the front of our great Public Library "Truth beareth away the victory."

If He Lose Himself

In the Holy Bible that was for our forefathers their sufficient guide of conduct, the question is put, "for what is a man advantaged if he gain the whole world, and lose himself or be cast away?" In one aspect you have this question before you every working hour. In your every transaction you have to consider the security of the principal and the rate of return, and always the first is the primary consideration. Can you not carry that practice into the larger affairs of life? Can you not for the immediate future be content with smaller returns to make safe the accumulations of the past, both material and spiritual? You give up to the government a substantial part of your income. Can you not add to this outgo a fraction more as a matter of insurance, and what is of greater moment, a substantial portion of your time and thought?

How may this be applied in the matter I have been discussing?

I would not have you think that I am unsympathetic with labor. It is because I am sympathetic with it that I venture on these suggestions. Labor needs help from the outside. It needs to be rescued from an organization that has become its tyrant and which the President says has become ours.

Suggested Laws

If we bring about that orderly arrangement of our ideas that alone gives value to the human mind, and utilize that foresight which gives its greatest value to science, we may greatly benefit the laborer in his safety and comfort without in any way failing in the equally important object of benefiting him intellectually and spiritually. I would then for the preservation of society and for labor's direct and immediate benefit make these provisions in our laws:

1. That any voluntary association of seven or more members may sue or be sued in the name of the association, service of process upon any officer, manager or business agent of such association to constitute service upon the association.
2. That such associations shall keep their records in form prescribed by public authority, that their accounts shall be at all times open for inspection and audit, that annual report thereon shall be made, and that the use of funds of the association for political purposes shall be a criminal offense.
3. That the authority of the designated officer of the state to deal with labor disputes shall include the duty to make inquiry concerning matters in dispute with the right to subpoena witnesses, examine them under oath and require the production of books and papers in order to enable him to ascertain all facts material to the dispute and to furnish the public and every employer and employee entitled to vote upon the questions of strikes and lockouts involved, with a copy of his report, and that notice of the intention to strike or lockout must be made to such officer at least 14 days before the date fixed for such action.

4. That every ballot cast for strikes or lockouts shall be so safeguarded as to preserve the freedom of the voter and the decision at which he has arrived and to that end that the designated officer of the state shall be charged with the duty of supervising the vote so as to insure a secret ballot free from

intimidation or misrepresentation, and its honest count. The vote should be the definitive action and not be subject to the veto or use of the chief officer.

The labor unions cry to Heaven that they have the "right to organize." No

one denies it—but let them in the exercise of the right assume the responsibilities it entails. If they claim the latitude and advantages, let them also share the restrictions and burdens of organizations of capital.

Symposium on Clearing House Examination

ONE of the special features of the program of the Clearing House Section was the symposium on Clearing House Bank examinations led by Charles H. Meyer, Chief Examiner of the Chicago Clearing House.

I want to digress, gentlemen, just long enough to express my most sincere appreciation of the wonderful work Mr. Mullen has done in the past few years in bringing this Clearing House Examiner proposition up to the different Clearing House Associations and I think I would be making a mistake if I did not include in that our good friend, Mr. Coates from Cleveland, Clearing House Examiner for Cleveland.

Now as Clearing House Examiner for Chicago, the city which first adopted this system in June, 1906, sixteen years ago, I believe I am entitled to evidence a pardonable pride and enthusiasm in lauding its merits, for in the eight years that I have held this position, I have become more and more impressed with the great results obtained in the practical application of this method of bank inspection.

Suffice it to once more call attention to the fact that not one dollar has been lost to a clearing house bank in Chicago since this system was inaugurated.

And also that nearly all the large cities and many of the smaller ones have followed our lead and established this method in recognition of the practical results obtained.

I could elaborate at great length in placing before you the various illustrations as to why, in my estimation, this system is so practical in application, but this I believe is not necessary, for you examiners, having had experience in this line of work recognize the logic of this observation. The system, I believe, receives its maximum test in Chicago. We now have 120 banks under clearing house supervision, where we had only seventy odd in the beginning of 1921.

This increase is a reflection of the recognition by our banks that it is one of the greatest assets they have in being able to advertise to the public that they are under Clearing House supervision.

In all of my interviews with the various gentlemen who have come to Chicago to look into the examiner system, they have at all times given me the impression that the greatest stumbling block in organizing clearing house examination departments consists in the fact that the banks in the particular community do not like the idea of four or five or six fellow bankers, all competitors in the community, sitting around a table and mulling over their business.

I cannot blame any of you for having that impression because theoretically that

is what is done, but practically it is not. Right there, the point comes up that in the organization of your clearing house examination departments, the greatest factor of success or failure lies in the man you will select for your clearing house examiner, and the latitude you will allow him, or rather the responsibility you will place upon him in finally coming to your committee and assuring you whether or not that bank is being operated along conservative lines; in other words, that the depositors' money is at all times safe.

Possibilities of Cooperation

I have always believed that if this work is done properly, with the wonderful cooperation we get from local men, sitting around a table in a particular city, that long before a bank can plow through its capital and its surplus, into the depositors' funds, it will stop them.

As we have always said in Chicago, in the sixteen years that that system has been in force we have succeeded in doing that. Of course, we are human like any one else, but it comes nearer being the greatest piece of machinery to insure guaranteeing of bank deposits—the dream of the banker's life—than anything that has yet been devised. I do not believe legislative enactment can ever come any where near being as practical in application as the clearing house system. The reason is that all problems are local. You do not have to wait and reach the center of authority one thousand miles away. You are not governed by any political preferment in appointments of your examiners. The men on that force are appointed for their ability and they are kept there as long as possible, because the longer a man is on an examining force the more valuable he becomes. Therefore, they are not changing with every administration.

The point that I want to make on the title of this subject just as briefly as possible is to explain to you how we handle that feature in Chicago.

The examiner, in the first place, is not allowed to show his report of examination to the Clearing House Committee.

At the completion of each examination he hands a report in full to the president of the bank, each director receiving a notice that the examination of that bank has been made as of a certain date and that this report is in the hands of the president for his perusal. Attached to this letter is a receipt which he must sign, stating that he has received the examiner's notice. At any future time should the question come up and he would say, "Well, I didn't know the condition

the bank was in,"—this receipt would be pushed under his nose so to speak. That receipt is never allowed to be signed by his secretary; it must be signed in person.

The examiner prepares a short letter of what he calls his "committee letter," in which he simply hits the high spots, telling the committee what he has accomplished while in the bank. They do not want him to come there and say that "I recommend this and that." They believe there should be enough intelligence on the examiner's side and also in the bank that when these problems come up, they can get on common ground in a short while and settle them.

In all of my eight years' experience as examiner for Chicago I have not once seen the least intimation, direct or indirect, of any member of that committee trying to find out the business of his neighbor.

Mr. WILSON (St. Louis): May I say a word in behalf of the banks enjoying the benefits derived from clearing house examination. I am sure you will pardon me for being a close second of Mr. Meyer when I tell you that we were a close second to Chicago in establishing the system. We are always glad to follow in the lead of a great city and when Chicago established that system, they took away from our section James B. McDougal, now Governor of the Federal Reserve Bank, and made him examiner for the clearing house banks of Chicago. We very shortly thereafter established the system in St. Louis.

I have always been very much interested in helping in whatever way that I could to advance the system. I feel that I have a right to talk about it because I spent some five years as an examiner myself, following which during my period as an officer of a bank I was a member of the Clearing House Management Committee, which committee as you know has under its direction the examination system. I want to say to you, especially to those of you who may not yet have the system in your own city, that there can be no other plan in my mind which affords such a splendid measure of protection to the depositor, to the stockholder, and to the general public as well.

Before sitting down I do want to pay a tribute to those who have been mentioned: Mr. Francis Coates, who has worked so earnestly all these years for the advancement of the system; to men like McDougal and his splendid successor, Mr. Meyer; Mr. Hanna of New York and Mr. John W. Wilson out in Los Angeles; our own man in St. Louis, Mr. Clabaugh, and others, because, after all, it is the examiner who has much to do with making the system a success or a failure.

I simply rise, more than anything else, to earnestly recommend to every city which has not adopted the clearing house system of examination that they do so at the earliest possible moment. (Applause.)

In Philadelphia

MR. HARDT (Philadelphia): I think Philadelphia was the second city in the country to establish a clearing house system of examination. That was in 1909.

To the point under discussion, I agree with Mr. Meyer, and it is universally conceded that the greatest objection to the clearing house examination system is the question of secrecy. He anticipated me when he said that (and this is a little immodest) the right man should be gotten in the first place, but let the man so deport himself that he has the confidence of the banking community as well as the confidence of the committee.

Then there is another side to it. The committee ought to merit the confidence of the examiner. There is a Clearing House Committee: that is one element; the banks themselves are another element, and the conscience of the examiner is the third element in this alliance. I make only two characters of reports to our Clearing House Committee after I have examined a bank. It is just like an egg—it is either good or bad. Then I report that I have examined such and such a bank and I find the same in a satisfactory condition. If it is not in a satisfactory condition, I say so.

Now when I say it is in a satisfactory condition they never question that. If I say it is not in a satisfactory condition I can indicate what is wrong, but under the contract between the management and the committee, the committee has a right to call upon me for any information contained in that report. But primarily, I must assume the responsibility of saying there is an unsatisfactory condition in some department of that bank. Then the Clearing House Committee can call the officers of that bank or they can refuse to call them. They can analyze the question and decide upon action, whether remedial or otherwise.

I claim nothing more for the system than the standard. I claim that in the last thirteen years, since it was introduced, all species of bank examination have been raised to a very high standard. We have blazed the way. I am not reflecting upon either the national government or the state. But the examinations, in my opinion, made throughout the United States by any class of examiner, are far better and higher than ever before.

I think when I read this you will get an idea of what I concede to be the relationship between the examiner and the bankers representing the banks he examines. It is almost unbecoming to me to make this statement but I do it as a compliment to the bankers. In my experience with the government, I never had a letter of criticism from the office. I never knew of a banker complaining of my treatment of him under examination. But that did not mean that I was not efficient, exacting and positive, but I always took the banker into my confidence,

to such a degree that he understood exactly where I stood, and the government understood it.

That is all included in the atmosphere of what I call my introductory or preface to my long report which I submit in each case to the banks under examination and the previous report to the committee, which is as follows:

The examinations conducted under the direction of a clearing house are designed to prove the accuracy of assets and liabilities and promote safe and sound banking in administration and methods. The force employed is capable and experienced in work of this character. The examiner treats orally with the proper persons, minor criticisms or suggestions, but all matters of higher importance are included in detail in his report to boards of directors.

This examination has been thoroughly made and it embraced the fiscal examination of all tangible assets, the verification of other resources and all liabilities, analysis and appraisal of value. Comprehensive statements and exhibits follow, giving full details of the affairs of your institution (this is to the board) revealing its excellent condition and giving evidence of successful management. The excellent organization system of internal audits and the morale of the force generally, warrant commendation. Your careful perusal of the entire report is respectfully suggested.

Matter of Secrecy

FRANCIS COATES: The question of secrecy is one of the very important questions that we have to discuss. In my own city of Cleveland, if the examiner finds the bank in good and satisfactory condition, under the terms of his contract, he can only report to the Clearing House Committee that single fact, that he finds the bank in good and satisfactory condition.

If he finds it in other than good and satisfactory condition, he reports to the Clearing House Committee in such manner as he deems best. The intention is that none of the innermost secrets of any of the banks shall be disclosed to any member of the Clearing House Committee, unless a condition were to arise that would be alarming, in which case, at the request of the members of the committee, unanimously, with the exception of the member of the bank under examination, if he happens to be represented, then the committee, with the unanimous call of each member can demand such information as they may consider necessary. I am glad to say that we have never had a bank taken before our Clearing House Committee and there have never been any disclosures made except to the extent that the examiner deemed best and wisest.

While secrecy is one of the stumbling blocks to the adoption of the examiner system in some of our cities, there are other considerations. During the past few months I have talked with a good many bankers, that is communities of bankers, and I have corresponded with them. It has brought out some of the important stumbling blocks that are deterring some of the cities from adopting the examiner system at the present time.

We have at this convention twenty-two clearing house examiners; there are twenty-seven in the United States. There will be representatives from the banks of all of these cities from which the examiners come. In addition to that, we have extended a formal invitation to some thirty-eight cities who have had under

consideration during the past few months the establishment of departments of examination. I do not know how many of those cities will have representatives here, but there will be a majority.

In my discussions and in my correspondence, the four vital stumbling blocks I have found are the question of secrecy—that is, the amount of information that shall be imparted to the members of the Clearing House Committee—the question of expense, the question that a clearing house examiner in his intimate examination into our affairs acquires too much knowledge—he knows too much about the banker and his affairs. But the final stumbling block in these cities that are considering the proposition is that they are trying to consider something and to decide upon something that they know nothing about whatever. They do not know what a clearing house examiner is.

MR. MARSH (Newark, N. J.): Newark has never had a clearing house. You men that have spoken seem to be proud of the fact that you were the first to represent the clearing houses of the country. I think I am safe in saying that Newark probably tried to have the first clearing house in the country.

About twenty years ago she tried, and has been trying ever since until March of this year. The clearing house was definitely organized and I am very proud to say every bank in the city is a member of the clearing house, and last Thursday they cleared for the first time.

Right here I want to extend thanks to Mr. Mullen and this Section for the help given in organizing this clearing house. It was inestimable. We never could have done it if they had not helped us as they did.

We have problems that we are trying to solve, and we are right square up against this examiner system. One of the questions is, "How do you go about getting your man? Do you find a public accountant?"

In Kansas City

MR. BROKAW (Kansas City): I just want to reply to the suggestion of secrecy. Our examiner is here. I do not think we value anything more than the fact that our detailed statement with every single investment in it is laid before the Clearing House Committee. They are a set of men we are glad to have see it. We are glad to have their suggestions. I cannot understand how anybody would be afraid to have his detailed statement laid before the kind of men that would be selected as a Clearing House Committee, because they are the kind of men who can be trusted and their suggestions are of inestimable value. I do not see why that should deter any one. We went into the system in Kansas City in 1908 and there never was a greater thing done for the Kansas City banks than the adoption of the clearing house examination system, as we rather copied it, I think, from Chicago. It is the biggest thing we ever did in that section.

MR. MEYER: The matter of selecting your examiner is very difficult to suggest. I find that the best practice is to get a man who is thoroughly familiar with bank practice. No matter how good

a public accountant you may have, he is sometimes in detail not a bank man at all, but I do not want to be misunderstood in that as casting any reflection on the public accountant. It is just simply a matter of years of experience, and being familiar with bank practice. However, I think if you ever get to that point where you want to select a man, Mr. Mullen is in a position possibly to help you in that direction.

Answering Mr. Brokaw. If we go before the Clearing House Associations of the country with that thought in mind, as you expressed it, I am very much afraid we will not get very far.

I am absolutely going to differ with you, Mr. Brokaw, in laying everything before the Clearing House Committee. The great principle of examination is to protect the depositors' money. Now, the broad principle of bank inspection is best brought about by having the proper man in charge of that examination, and you must rely on his judgment to a great extent. In other words, as Mr. Coates said, he only brings it up before his committee in case of absolute necessity or in case the "egg" is bad. If the bank is good, he simply goes before his committee and in a brief way tells them, "Gentlemen, I have completed an examination of that bank and you have my word for it that the bank's depositors are absolutely protected and the bank is being run along safe lines." If not, we discuss the various details, the policies that that bank is pursuing that are wrong.

In that respect, I think it is a big mistake to take a long list and lay it out there and say, "This bank has this and that bank that."

MR. BROKAW (Kansas City): I am sure in fourteen years there has never been the first complaint on the part of any bank of the Clearing House Committee's knowledge of the intimate details of every bank, not the first complaint.

MR. MEYER: Practically that has not been taking place. But theoretically, in the mind of the man who has not established this system that will stick just the same.

You will never get over that hurriedly unless you assure them that the examiner is going to handle that subject intelligently and the best way. In your case, I don't say (don't misunderstand me) that it is not working practically there, but you will keep a lot of cities from adopting the system with that thing in mind.

MR. HARDT (Philadelphia): We would never have had the Clearing House System in Philadelphia if we had expected and allowed the full information to be submitted.

That I have a boy in the Clearing House under my own supervision, where my full reports, my copies are kept. No one has the key to them. The directors get the original report; I keep the copy. The committee never sees those reports except in cases where I have found fault with the management.

PRESIDENT WASHBURN: I should again like to emphasize the meeting to be held

tomorrow afternoon at two-thirty o'clock, at Fifteen West Thirty-Seventh Street. I hope Brother Brokaw and Mr. Hardt will come there, and others surcharged with their suggestions and I hope this question as to whom and how these reports are to be made will be thrashed out, along with a number of other very interesting points.

Resolutions Committee

R. F. McNally presented the following report of the Committee on Resolutions:

Whereas, The Chicago Clearing House and its member banks have prepared an excellent series of articles setting forth the relations of banks to each other and to the public in clearing house cooperation and regulation, which articles are of very great value in informing the public on these subjects, and

Whereas, The Clearing House Section has printed these articles in pamphlet form for ready distribution; therefore be it

Resolved, That this Section recommend to the various clearing houses in the country and to their member banks, that the circulation of these pamphlets be made as wide as possible and the depositors thus informed of the protective functions of the clearing house.

It Is Further Resolved, That this meeting extend its very sincere thanks and appreciation to all those who, by their interest and efforts on behalf of the Section, have contributed so largely to the success of this meeting.

Be It Further Resolved, That this Section extend to the state representatives of the Clearing House Section its hearty thanks and appreciation for its cooperation which it has given the Section during the year.

And Be It Further Resolved, That its special thanks be extended to John R. Washburn, its president, under whose direction so much constructive work has been accomplished during his tenure of office.

And Be It Further Resolved, That the special thanks and appreciation of the Section be extended to D. A. Mullen, its secretary, through whose intelligent interest, conscientious efforts and hard work the objects of our Section have been carried forward with the results that the Section closes its work for the fiscal year with a record of still greater accomplishment than ever before in its history.

We desire to express our sincere appreciation to the committees in charge of arrangements for the courtesies extended this Section. All the details of the meeting have been looked after in the most painstaking manner and we would especially thank those New York bankers who have been assigned to look after the arrangements on behalf of our Section. We cannot let the occasion pass without thanking Dr. Burrell and Messrs. McHugh and Loree for their timely and inspiring addresses. We feel that the work of this Section should not stop with matters of particular concern to the banks in our respective localities, but that in addition it is for us to address ourselves as best we can to the solution of problems, both national and international, that are confronting the world today.

The resolutions were unanimously adopted.

T. H. BROUGHAM: I think that the resolutions are especially in order. The Clearing House Committee and the Clearing House Examiners pay more attention, and do the people more good than all the examiners outside. I know something about banking, and not so much about clearing houses, but I know that when the clearing house examiner goes to a bank to examine it, he examines the whole bank, and he will not only tell you and give you suggestions, but he

will come back in a week or two, if it is necessary, and help you out and ask you how you have succeeded in collecting some of those delinquent notes.

If there is anything in America that operates against the banking business it is neglect. The stumbling block that the gentlemen have been talking about here for some time is negligence. A bank is organized and some man with more stock than others is elected president of it. He suggests the cashier. The cashier is elected and there are two men running that bank; the directors get around once a month. Some of them learn something about the proceedings of the bank and others do not, and consequently the friends of the president and the friends of the cashier get nearly all the loans, which is not right. Friendship in banking, or friendship in anything, is hard to overcome, but in banking you are not there for love, you are there for business, to look after the interests of the people that are your customers and to take care of the money deposited, and to be in shape at all times to pay it back, if they want it.

Nominating Committee

Mr. Crandall of the Nominating Committee presented the following nominations:

For president, James Ringold, Denver; for vice-president, Francis Coates, Jr., Cleveland; for members of executive committee, terms expiring 1925, John Downing, Louisville, Ky., and O. Howard Wolfe, Philadelphia; for member of executive committee, term expiring 1923, R. E. MacGregor, Minneapolis.

The report was accepted and the nominees were unanimously elected.

PRESIDENT WASHBURN: One of the most energetic and tireless workers we have had in this Section is our next president, James Ringold of Denver. No one is better fitted to be president of this Section and no one is more entitled to it than our good friend, Jim Ringold. I will introduce James Ringold, your new president.

PRESIDENT-ELECT RINGOLD: I certainly thank you very much. This is one of the honors that I cannot express in words. This Association is very near to me in every way. I have been connected with it in some way or other for a number of years and I know that my predecessors have done a wonderful work. With the aid of our executive committee, it is my hope that we shall progress very greatly in the future.

I would like to have the privilege of introducing to you John Downing of Louisville, Kentucky. He has been in the banking business for years and has done a great deal of good in aiding this Section in his community. We are very pleased to add his name as a member of our Executive Committee, and I take great pleasure in presenting this badge to him.

State Secretaries Section

THIRTY-ONE secretaries were in attendance when the State Secretaries Section convened in annual session on October 3 in the rooms of the New York Chapter of the American Institute of Banking.

In the course of his annual report President Andrew Smith said:

The activities of our Section have increased materially, due largely to the energetic and untiring efforts of our secretary, M. A. Graettinger. Always on the alert, he keeps secretaries all over the United States informed on all important questions. One of the most important features of our department is the *Service Bulletin*, which is published regularly by the secretary, and which gives us prompt information on subjects particularly of interest to the state secretary.

One activity I would like to advocate in each state bankers association, and that is county organizations. First of all, the group system is very beneficial to the success and welfare of the Association, then the next step is to organize your counties. The value from this closer organization cannot be overestimated.

Our Section has given valuable assistance to the American Bankers Association Educational Committee, and at this meeting will doubtless work out a plan whereby we can each render a greater assistance in our various states in promoting this, one of the most constructive campaigns ever fostered by the American Bankers Association.

President Smith appointed as a Committee on Resolutions Mr. Colburn of California, Mr. Philpott of Texas, and Mr. Zimmerman of Pennsylvania.

Nominations Committee: Mr. Gum of Oklahoma, Mr. Macfadden of Georgia, and Mr. Roach of Ohio.

Secretary's Report

SECRETARY GRAETTINGER: As secretary of the Section I submit the following as my annual report:

During the year the following committees were appointed by the president:

Insurance—Secretaries Andrew Smith, chairman; G. H. Richards, W. W. Bowman.

Protective—Secretaries M. A. Graettinger, chairman; R. E. Wait, F. P. Gum.

Simplified Income Tax Return—Secretaries W. F. Keyser, chairman; Frank Warner, S. A. Roach.

Standardization of Forms—Secretaries W. C. Macfadden, chairman; George D. Bartlett, Haynes McFadden.

There being so much agitation over the mooted question of branch banking which has received much publicity of late, that a questionnaire was sent out to the state associations for the purpose of learning their attitude in the matter, and it is interesting to note the thirty-eight replies which were as follows:

1. In what respect does the banking act of your state touch on this subject? Are branch banks expressly permitted or prohibited, or is the law non-committal?

Answers: Permitted, 11; prohibited, 11; prohibited in state but allowed in same town, 2; non-committal, 14.

2. Has your association adopted any resolutions on the subject of branch banks? If so, are they in favor or opposed?

Answers: Opposed, 12; no action, 22; no action but opposed, 1; committee appointed, 1; resolution opposed considered, 1; no reply, 1.

3. What action, if any, has your association or your officers taken with regard to the present plan of the Comptroller of the Currency in approving the opening of subsidiary offices?

Answers: No action, 34; advised representatives to oppose, 1; Executive Council entered protest, 1; resolution covers, 1; no reply, 1.

4. It having been suggested that branch banking in any form ought to be expressly prohibited by law in every state and that legislation to that effect be enacted in such states where this prohibition does not appear in the statutes, would your association, in your opinion, be favorable to such action?

Answers: Favorable, 12; unfavorable, 13; most probable, 3; unable to say, 5; state banks favor, 0; national banks oppose, 1; no reply, 4.

5. Remarks: Not interested because of lack of large cities—Texas, Mississippi.

Branches not to best interests of communities—Wyoming.

Only a few branches in Milwaukee, which were established prior to the enactment of the statute which prohibits future branches, and if discontinued or reorganized agitation would cease—Wisconsin.

State banks of Ohio are favorable to discontinuance of branches, most probably due to not being worth while—Ohio.

Very favorable to branches—Michigan, Tennessee.

California has organized committee to investigate.

Should be no compromises—Kansas.
Bill introduced in last legislature, "killed" in committee—West Virginia.

Standardization of Forms

MR. MACFADDEN: Your Committee on the Standardization of Forms begs leave to submit the following report: But one meeting of the committee has been held during the year. That meeting was at White Sulphur Springs, West Virginia, May 9, 1922, at the time of the meeting of the Executive Council of the American Bankers Association. All members of the committee were present at that meeting. A plan was discussed for making an effort to obtain the approval by the Treasury Department of the United States of a form of "Memoranda of Ownership" to be used as an endorsement on all negotiable government securities in order that ownership might be successfully traced and established on lost or stolen securities. The form suggested by Mr. Bartlett of the committee was as follows:

MEMORANDA OF OWNERSHIP

This instrument, until properly assigned, is property of

(1)Purchaser

The above hereby assigns ownership of this instrument to purchaser whose signature appears in line (3) below.

(2)Vendor

Witness of AssignmentAddress of Witness

This instrument, until properly assigned, is property of

(3)Purchaser

The above hereby assigns ownership of this instrument to purchaser whose signature appears on line (5) below.

This plan was submitted by your committee to the governor of the Federal Reserve Bank of Minneapolis, who in turn referred it to the Treasury Department, with the result that the plan was ruled as not allowable by the Department

as it would be in direct violation of Section 177 of the Criminal Code of the United States, which provides in part, with reference to any bond, note, certificate of indebtedness, etc., that "It shall not be lawful . . . to write, print, or otherwise impress upon any such instrument, obligation, or security, any business or professional card, notice, or advertisement, or any notice or advertisement of any matter or thing whatever. Whoever shall violate any provision of this Section shall be fined not more than five hundred dollars."

While it may be unlawful to adopt a plan of this kind to be utilized in tracing and establishing ownership of government securities, your committee is of the opinion that this method could and should be universally adopted for establishing ownership of all other classes and issues of negotiable securities, and recommends that all secretaries give publicity in the various states to the plan.

Other forms considered by your committee at the meeting were forms of financial statements for farmers, corporations, individuals and partnerships, and realizing the desirability of encouraging thrift through the operation of Christmas Savings Clubs in banks, your committee approves the cooperative purchasing by banks of supplies for these clubs, thereby securing low cost and uniform system. To such banks as are considering the use of Christmas Clubs, the committee recommends an inspection of the plan and supplies prepared by a bankers' committee and now available to member banks at a price which does not include sales expense or copyright profits.

All members of the Section are requested to give publicity to the same and recommended them for general use by banks.

Copies of the forms referred to are attached to and made a part of this report, and additional samples with information as to cost may be obtained from any member of the committee.

Owing to the diversity of forms of notes, chattel and real estate mortgages, contracts for sale of real estate, city property and farm lands, leases, rental agreements, etc., etc., in every state, your committee would recommend that in each State Bankers Association, each association secretary take it upon himself (or herself in Michigan) to request the attorney for the association to prepare and submit for approval a set of forms of the different documents referred to above, and that as each form is prepared, approved and accepted by the officers of the association, it be copyrighted by the association and that the printers of the state be licensed by the association to print and sell such printed forms, and that the license issued by the association stipulate that when printed and offered for sale, all of said forms shall bear the printed caption, "North Dakota, Iowa, Illinois or other state, Bankers Association Standard Form of Chattel Mortgages, Warranty Deed or other form as the case may be. A plan of this kind will readily recommend itself to all Asso-

ciation officers as resulting in time in standardized forms of all blank forms used by banks, real estate dealers and others in each state, and will do away with the great variety of blanks now offered for sale in all states.

Your committee also approves and recommends the form of commercial letter of credit prepared and submitted by the American Acceptance Council of 120 Broadway, New York City, a copy of which is attached hereto, and requests all secretaries to urge the adoption of this form of letter of credit as the standard form for banks and bankers in the United States.

PRESIDENT SMITH: The next item is a report of the Committee on Insurance. As a member of the Insurance Committee of the American Bankers Association, we had those matters up yesterday morning and had a meeting with Mr. Clopp, who looks after burglary insurance here in New York—and Mr. Gilkey who has charge of fidelity business. They contended that they were very anxious to get rates down, but they said that the companies had suffered very large losses during the past year, fidelity as well as burglary, and that at the present time they didn't believe that rates would be lowered very much, but I don't believe we need fear an increase of rates, either burglary or fidelity.

Income Tax Forms

The Secretary read the report of the Committee on Simplified Income Tax Forms for Banks:

During the latter part of 1921 and the fore part of 1922, when the Forms Committee and the Tax Simplification Board of the Treasury Department were considering the matter of forms for 1921 returns, your committee was active in presenting the claims of the banks for a special income tax form applying specifically to the banking business. In this work, your committee was most ably assisted by Theodore S. Cady of the Fidelity National Bank and Trust Company of Kansas City.

On behalf of the committee, Mr. Cady prepared a suggestive form for the consideration of the Forms Committee and the Tax Simplification Board, and on December 19 this form was presented by Mr. Cady in person, who went to Washington for that purpose. This suggestive form was most favorably received, and prompted no adverse criticism except as to the precedent that might be established by adopting a form applying solely to any one class of corporations.

Notwithstanding this criticism, we were greatly encouraged, and we have good reason to believe that our efforts would have been successful had it not been for the delay that occurred in the Treasury Department in preparing the 1921 forms, which interfered with any definite consideration of the matter of a special form for banks. As you are aware, the corporation forms were not sent out by the Treasury Department until after February 15, and the instructions were not published until about March 1.

At the request of our committee, Mr. Cady prepared a list of suggestions for the guidance of banks in preparing their

Federal income tax returns for 1921, and a typical bank tax problem and its solution. All state bankers associations were given the opportunity to subscribe for a sufficient number of these lists at actual cost, to supply their members. As a result, 20,100 copies were ordered by 25 associations. Highly appreciative comments on these suggestions were received from numerous sources.

The repeal of the excess profits tax simplifies the general corporation form and to that extent reduces the need for a special form. Necessarily, however, the general form will contain much that is extraneous to the banking business and a need for a special form still exists, although not to such an extent as formerly.

Since the repeal of the excess profits tax materially simplifies the general corporation form and therefore reduces the need for a special form for banks, the chances of securing a special form would seem to be proportionately reduced. For this reason, the advisability of discontinuing this committee may be worthy of your consideration.

Protective Committee

Secretary Graettinger read the report of the Committee on Protective Matters:

Your Committee on Protective Matters met in St. Louis on September 10 and its deliberations and discussions were confined exclusively to devising means whereby closer cooperation may be brought about between the various state associations in their protective work.

The American Bankers Association Protective Department operates only after a crime has been committed and does not make any extended effort toward the prevention of burglary and robbery, so far as is possible, by educating the banks to the necessity of providing proper equipment and protective devices.

It is the opinion of this committee that the most essential requisites for a bank to make it deserving of a charter from either the Comptroller of the Currency or the State Superintendents of Banking, as well as the confidence of the community, are adequate equipment and protection. We believe that the American Bankers Association and all state bankers associations should feature the importance of this and conduct campaigns along this line from the standpoint of the old adage, "That an ounce of prevention is worth a pound of cure." Much money is spent every year for detective service in an effort to apprehend criminals and as a general proposition it does not relieve the situation. . . .

A real campaign of education among bankers as to what they can do toward the reduction of this class of crime would, in our opinion, result in a material improvement in this record. Education would also tend to reduce the losses to banks through forgeries. It is estimated that quite a considerable percentage of fraud perpetrated on banks through forgeries could be prevented if bankers exercised more care in opening new accounts and cashing checks for strangers. A laxness in the general handling of checks, accounts, etc., provides opportunities for the criminals to perpetrate frauds, which, with the proper

exercise of care, would be avoided and the losses from this class of crime, consequently would be very materially reduced. The importance of such necessary precaution should be brought home forcibly through the agencies of the American Bankers Association and state bank associations.

Another contributory cause to the defrauding of banks is the carelessness of a large percentage of bank customers in drawing, endorsing and depositing checks. . . .

Warnings By Wire

The committee also approves of the plan which was brought out at the St. Louis meeting of the Central States Conference by Secretary Wait of Arkansas that when a bank receives a check drawn on itself and refuses it for reasons of forgery, fraud, or no account, or believes fraud is connected with it, that it shall telegraph (collect) to the first endorsing bank in order that that bank may take the necessary steps toward the apprehension of the man without waiting until the notice goes around through the various banks through which the check may go before it gets back to its original source. We believe that no bank would object to paying the charges of such notification, as being immediately apprised of the fraud would certainly be of infinite benefit and give an opportunity to apprehend the criminal, which usually would be impossible under any other system, as a day's delay as a rule means the escape of the guilty one. In order to put this plan in general operation, the secretaries should advise their members not to refuse to pay charges on such telegrams.

Speaking generally, the committee is of the opinion that most of the protective work begins at the wrong point, in concerning itself principally with bringing criminals to justice after the crime has been committed. We believe if the same amount of effort and money were expended in an effort to prevent criminal attacks against banks, the benefit to the bank would be infinitely greater. The first step in such prevention appears to us to be the education of the banks themselves to the necessity for the best protection in the way of equipment and safeguards, and also to a realization of their responsibility in making possible the perpetration of many frauds by their own carelessness. This work must be done by the national and state associations and the successive steps will suggest themselves as time develops.

There is much lost motion and duplication of effort in protective work in general, and in a large measure, the remedy for this is closer cooperation between the state associations. To bring this about seems to be directly within the province of the State Secretaries Section.

Robert Wait of Arkansas: I believe I can tell you a little story of an actual occurrence that may interest you and may possibly show you that although we secretaries work all the time and perhaps oftentimes feel that we are not getting very many results from our work, still there comes a time when these results come about.

On September 26, just almost the day

OVERCOMING *the* *limitations of a small* INSIDE LOT

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before our delegation left for this meeting, there was staged at Eureka Springs one of the most dramatic bank hold-ups that I suppose has ever been pulled off. I haven't the official report on that hold-up, but I gather from the newspapers what I am going to give you. If any of you have been at Eureka Springs, you would wonder how any gang of bank robbers would ever select a bank in that little city to try to rob. Eureka Springs is in the mountains; it is a summer resort and there is one main street. It is up and down hill and there are only two ways to get out of town, and before you can get out of town you have to climb some very heavy hills, and yet notwithstanding those physical conditions thrown around that bank, this gang of five men staged an attempt on that bank, at noonday, driving from the hills into the center of the town, entering the bank, holding up all of the officials and clerks and attempting to drive them into the rear of the building, at the same time raking off the counters loot to the extent of about sixty-five thousand dollars in cash and in securities. Fortunately, much to the surprise of everybody, the cashier of the bank had the nerve, with his arms up, to put his foot on a little alarm button that was in the floor. Previously he had made some arrangements because he had reason to believe that perhaps his bank might be one of the objects of that gang, and no sooner did he press the button than a gong on the outside rang, a jeweler ran out of his jewelry store next door, a boy up in a window of the bank and several other people across the street were attracted, and as a result of that hold-up and the precautions and the bravery of those men two of the robbers were shot dead, another was mortally wounded and two of them were captured, all within the small space of time that I am telling you about it now.

Defended His Bank

There have been in that territory two very dangerous gangs, one headed by the notorious Henry Starr. Just a year and a half ago, Henry Starr with Dave Lockhart appeared in the town of Harrison, and held up what was known then as the People's National Bank. They drove everybody into the vault, but failed to reckon on bravery in age. One of the men they drove into the vault was Mr. Meyers, 70 years old, and while inside of the vault with Henry Starr, Mr. Meyers remembered that years ago he had put into that vault an old rifle. Just at the time when the burglars had their attention diverted for a moment, Mr. Meyers got his rifle and shot Henry Starr dead in front of the safe. The man who was with him, Dave Lockhart, escaped, and Dave Lockhart has made an oath that he is going to get old man Meyers.

About three weeks ago the detective of our Association laid on my desk a list of six names. He says, "I have learned through my snitch in Oklahoma that these six yeggs have laid a plan to rob four banks in northern Arkansas," and he gave the names.

Immediately as a good secretary, I sent a warning to each one of these banks that

their banks were under plans to be robbed. The two banks in the little town of Leslie, and at Piute were on the list. We immediately warned those banks to look out. As part owner of the two banks in Leslie there was a man by the name of Hudpeth who has recently bought a large interest in the Eureka Springs plant. Mr. Hudpeth saw the warning and I am satisfied he warned the First National Bank at Eureka Springs to be on their guard. In the meantime they wrote to me to send twelve high-powered rifles. At any rate we sent up all the rifles that we could.

The Moral

The moral in the story to me is that the bank was warned, that it harkened to the warning, and prepared itself, and that at the crucial hour they were not afraid to use the appliances that they had put there for that purpose. Arkansas in the last year and a half has put out of business Henry Starr, through the bravery of old man Meyers; it has put out of business Tom Slaughter, who gave "Harry" from Kentucky a whole lot of trouble, and now it has put out of business the Prices, and their companions in crime, but Dave Lockhart is still at large and we expect to have still more trouble with him.

We have in Arkansas a voluntary system of reward. We felt the necessity of paying awards so we have 289 banks signed up on this agreement to pay two dollars and eighty cents down and then on every bank conviction of a robber for attempt or a robbery, conviction through the Supreme Court, they have agreed to establish an assessment of two dollars.

I tell you every banker in Arkansas feels that those men up in Eureka Springs are heroes. We take off our hats to them, and if more of our bankers would do what they did, your Insurance Committee would not have any more trouble with increasing insurance rates.

The only way we can stem the tide is to put in better equipment, put in alarms, have our people around the banks ready for action when the time comes and then act. And we can preach all we want to about rates and everything else, unless the banker, through the secretary, can realize the seriousness of his job and be willing to protect the funds of his depositors and make his bank just as safe as he has advertised it as being safe, we are going to have these troubles.

Eureka Springs had the bravery to act, and just for the sake of you good fellows, sooner or later your work, like that little warning that we sent out, is going to bear fruit. It is a long game with us.

FREDERICK N. COLBURN (California): We don't take cognizance of cases wherein banks ascertained a loss through advancing funds against unprotected items, and that will save you men in your protective departments a great deal of trouble and expense, if you will simply rule that that is not good banking, and that you will not authorize time by your protective agents to investigate those cases.

We have, in order to prevent holdups of banks, called to the attention of our members the necessity of complete electric protection, and as a result of our

suggestion I know that one firm of bankers' engineers in California has installed electric protection in 114 banks during the last year, in addition to the large number previous to that, so we think that they are in pretty good shape. In order to avoid the daylight holdups at noon-time we advocated that all interior banks where there were comparatively few employees should close at noontime.

Mr. Huddleston (Tennessee): One thing, it seems to me that we have failed to emphasize sufficiently in this educational work, is to get the solid cooperation of the educational institutions of our states. It seems to me we ought to organize from the superintendent of public instruction on down through the county superintendents, even to each teacher in the county schools, to the point where they will come to our banks and ask for these lectures. As it is, a lot of the schools don't understand what it is. They think we have a selfish motive in trying to come in with these lectures, and if we will try to educate the school authorities on this educational proposition I think we will have them coming to us for these lectures.

Cooperation

L. W. Gammon, manager Protective Department, American Bankers Association, New York:

During the last year there was a change in the Protective Committee and the Insurance Committee. One of the state secretaries was placed on both committees, which met with my approval. It pleased me in a great many ways. Heretofore the state secretaries were perhaps in closer touch as to what is being done by the protective branch and by the Insurance Committee, of which I happen to be secretary. Mr. Smith represents the state secretaries section on the insurance end, and he has been familiar with, and no doubt has explained to you what we have done along insurance lines.

The members of the Protective Committee have attended all the meetings and have been familiar with and have had copies of everything that has taken place in the matter of the protective department, the same as every other member of the committee. So it has brought the whole organization of secretaries closer to these two committees.

You adopted a resolution requesting the Insurance Committee to get some data regarding losses in connection with burglaries, insurance and fidelity. We had already anticipated that resolution and had been working with the two secretaries of these insurance lines to get this information. Mr. Clopp, secretary of the Burglary Underwriters Association, as had been outlined previously, agreed to furnish this information of their experience as soon as they got their returns. They expected to have it before this, but one of the companies, which is one of the largest doing a banking business in this country, did not send in its experience. Consequently, we could not have it at this time, but we will have it, I think, in a month. Then I will notify your secretary as to what the experience is, so he can keep you notified as to what the conditions are and you can decide for yourselves whether the rates are justified or not.

On the fidelity and the blanket bond they have never submitted their experience, but I am assured by Mr. Gilkey, secretary of the Surety Association, that this will be taken up at the next meeting of the Surety Association, with a view of giving us their experience.

I have thought ever since I became secretaries of this Insurance Committee that the prices that the American companies charged for the blanket bond were not equitable. For instance, a bank with 25 employees at the present time is paying \$1,250 for \$25,000 coverage on the blanket proposition. A bank with five employees would have to pay the same rate. The excuse was that there was more risk. That may be, and may not be so. But a foreign company is writing a bond now of a minimum of \$25,000 with five employees at \$600, giving the forgery coverage, and running it up in proportion to \$1,000 for 25 employees. The American companies have got that under advisement now, and I have every reason to believe that they will meet that price, or as near as they can, and give the smaller banks the benefit of having less employees, which should be done.

President Smith: Was not that bond \$500 minimum for five employees?

Mr. Gammon: No, it was \$600. I hope to get their experience on the premiums and losses, and as soon as I do I will furnish the secretary with a copy.

This last year we have been of assistance to a number of the state secretaries in adjusting claims with the various insurance companies. In one particular case I think about eighteen months had elapsed, and nothing done. The matter was taken up with me by the state secretary, and I suggested a settlement and succeeded in having the matter adjusted to the entire satisfaction of the bank and the state itself. I was very glad to be of that little service. The same way with a great many of the other state associations.

There is one trouble, and it is not in the shape of any criticism, but I wish you secretaries would all remember it, that the insurance companies as a rule do not want to recognize the state associations in their adjustments or their business. They would much prefer to have it done through the American Bankers Association on account of the forms being American Bankers Association forms. It does not make any difference whether or not you are a member of the American Bankers Association or just the state association, take the matter up with me and I will do my best to have it adjusted for you, and I think we will get somewhere.

On the Protective Committee, we have changed our rules, as Mr. Colburn stated.

On uncollected items there is another reason why we should not take them up. For instance a crook comes into a bank in New York; opens up an account with some cash. He deposits a check drawn on California. That check comes back—

Under the laws of New York state we have to give the man who presented the paper ten days' personal notice that his check was not covered by sufficient funds. Then we have to wait until the ten days are up. If he does not pay, we

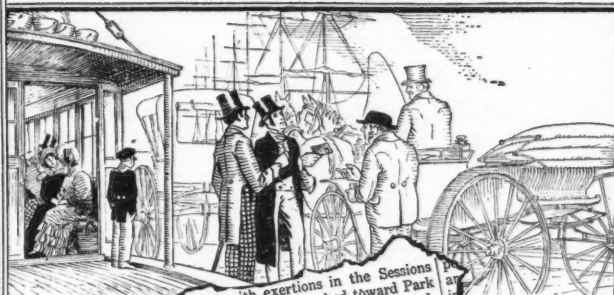
have to get a warrant and we have to bring a representative from the bank in California before we can get out a warrant. The district attorney in California would say, "We haven't any witness in California to testify before a magistrate there." Then we would have to bring him the witness back again to testify before grand jury. The bank would not have enough funds to pay for those expenses. The result is, if the man was reprimanded, there would be no prosecution, he would just walk out, and it is throwing good money after bad. The result is bad, because there is no descrip-

tion, no information as to who the party is, nor anything else.

I think it was a very good move, and we have had some very nice letters from a great many banks stating that they were pleased that the change had taken place. A few have objected to it, but in most cases, after taking it up with them, they have changed their minds and decided it was the proper thing.

President Puellier addressed the section briefly. He said: I appreciate the compliment of having you put on your program today the discussion of the work of the Committee on Public Edu-

From the New York Herald of Sept. 21, 1837.



Fatigued with exertions in the Sessions Court, on Saturday we pushed toward Park Row and jumped into little John Kelly's hand-some hack.

"Where to?" says the attentive John.

"Barclay Street, Newark boat," and we soon stood before the Cerberous stationed there to take toll. We presented a Rhode Island Bill.

"Can't take it."

"Providence."

"We have nothing to do with Providence here" said he huskily. We looked into his eyes and felt bound to believe him.

"Boston" we exclaimed, presenting a piece of paper purporting to be payable in the modern Athens.

"Boston's Bankrupt."

"Chemical Bank of New York," presenting a pale faced five that smelt of sulphuric acid, iodine of azote, phosphuretted hydrogen, oxide of tellurium, and a host of hydrates.

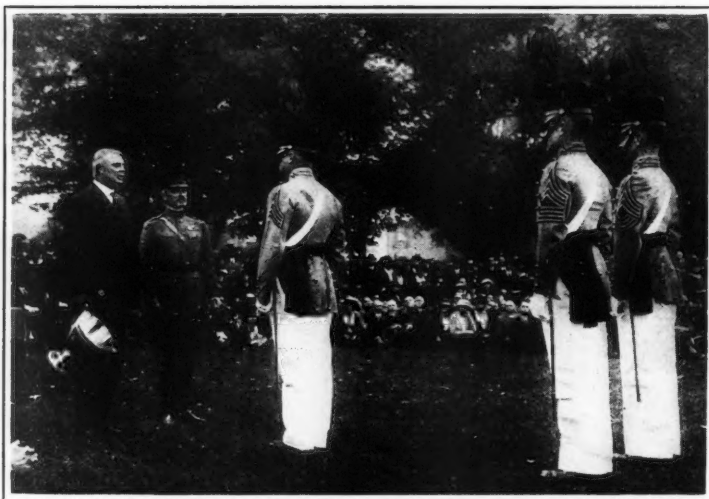
"Good as Gold" said the old surly, giving us the change, and the piece of paper did act like the "powder of projection" for by it we were placed on board of the boat.

Good as gold
then
Good as gold
today
Seeking new
business on
our record

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cation. You know how near to my heart the work of that committee lies, and I know that upon what you secretaries can do rests the success of the work. I want to bespeak your continued interest. I know that the work is fundamentally right.

I know we are never going to solve the economic ills that are troubling America today until there is a greater knowledge of fundamental economic truth. People must learn to know that you cannot expect to get something for nothing; and the stock argument of the misleader is also a promise to get something without paying for it.

I know the service that we can render America if we can further this plan, so that every banker in every state will regard it his absolute duty to place himself at the disposal, as he does in a business way with his bank, in a public way with his knowledge of fundamental economics.

I want to thank you for the fine support we have had from this organization,

ever since the plan has practically been conceived. Some of your secretaries have done wonderful work in helping us build up the plan. We drew on one of your men this year to set up the whole program of facts. We have revamped the lectures that came to you last year. We have profited by one year's experience. We have made them more presentable. We have gotten down a bit from the banker's plane to the student's plane in our mode of presentation. Many of us learned that although we were bankers, we were not teachers after all, and that in matters of method we had better join with the teacher.

This year we have developed a plan of outline, to go to each teacher before whose classes the addresses will be made. I ask you to take a huge step forward in the development of this work which we regard as for the good of our organization.

Col. F. E. Farnsworth (New York City) discussed the early organization of the State Secretaries.

Educational Campaign

C. F. Zimmerman (of Pennsylvania) spoke on "How to Successfully Put Over the American Bankers Association Educational Campaign": I regard it as an essential that the state department of public education should first of all be made acquainted with the program of the American Bankers Association, and if you will pardon the reference, we are to-day receiving from the Department of Public Education of Pennsylvania in the forwarding of this movement the most efficient help that any bankers' association could wish. Today all over the state of Pennsylvania, the teachers, particularly of commercial departments, are writing in to me as the secretary asking for the new set of talks so that they may begin to interpret them in their classes in the high schools.

An assistant cashier in the Philadelphia National Bank stopped me in the hotel this morning and said Philadelphia is all set for the idea of putting those talks across in the schools. Last year, gentlemen, we couldn't get into those schools in Philadelphia. Here is the greatest idea that the American Bankers Association has ever put over, in the way of carrying a service to the people of this country.

I look forward to a wonderful development in economic knowledge as the result of this educational movement of the American Bankers Association. To me, it is the perfection of an idea that has boundless promise for the future, and I ask of you men who are secretaries to apply yourselves with the idea of service to this educational method, because I can say to you consistently and most conscientiously that there has never been another thing done in the state of Pennsylvania which has so closely bound up the motives and purposes of our membership to the purposes of the State Association.

PRESIDENT SMITH: In Indiana we are going to very thoroughly take up this proposition. We already have the cooperation and good will of the superintendent of public instruction of the state, and the school authorities are working out nicely.

Mr. Gallien (New York), Mrs. Brown (Mich.), Mr. Roach (Ohio), also spoke on the subject.

Taxation of Bank Shares

W. C. McFADDEN of North Dakota

WE have gone into the taxation matter thoroughly in North Dakota. We started the suit that was similar to the Richmond case, before the Richmond case was started, not knowing that a similar suit was started there, and we conducted the litigation successfully.

I might add right here that we have in our association a paid attorney. We paid our attorney in fees during the past year \$25,000 for two very important suits that

he brought, that were of interest to the bankers of the state, and the success of that litigation led to engaging him under a contract for two years at a salary of \$15,000 a year and we have no trouble at all in raising the money. So that I believe if you will deliver the goods to your members you will have no difficulty in raising whatever money is necessary. We raised this money in the taxation litigation suit by levying against each bank an assessment equal to 3 per cent. of the

amount of tax involved as far as that bank is concerned. One bank paid \$1,800 and saved something like \$50,000 to \$60,000 on account of the litigation.

You are all familiar with the now famous Section 5219 that has been on the Federal Statute Books for 50 years or more and of the efforts that are being made to amend this section to cover the situation that now exists. You may not know, however, of the persistent and thoroughly organized efforts that are be-

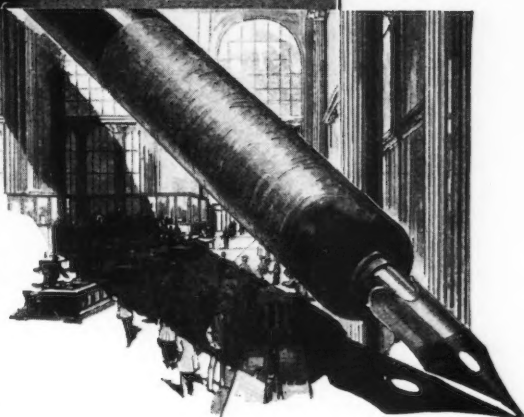


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F. E. EATON, Asst. Cashier

*The National Bank of Commerce,
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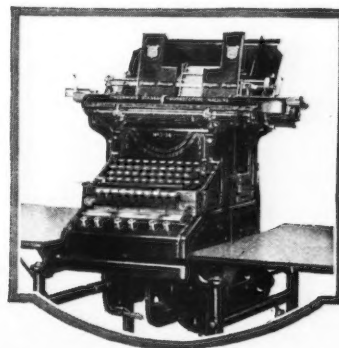
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ing made by the tax commissioners to amend or remove Federal supervision of the taxation of national banks so that complete authority will be given the various states to tax national banks as well as state institutions in any manner they may choose. These efforts have, as indicated by a meeting of the Tax Commissioners Association held in Minneapolis recently, taken the form of the drafting of a law which efforts will be made to get through the various legislatures at session this winter, by which banks will be taxed on their income on a graduated scale similar to the surtax now applied to incomes. The preparation of this proposed law accounts for the efforts of the tax commissioners as to their persistent efforts in amending or repealing Section 5219 of the Federal Statute. It is, of course, conceded that a uniform law covering bank taxation is desirable, but I am of the opinion that too many possibilities lie in bank taxation based on income and that a universal law of this kind should not be favored by banks.

Ohio and Illinois

Various states have endeavored to solve the problem. In Ohio and Illinois an effort has been made to tax all property on the same basis. Minnesota has a classified tax law with a light rate on intangibles, without adopting a personal income tax on business or corporation taxes. New York, Massachusetts and Wisconsin have a workable, modern system of state and local taxation. The new state personal income tax in New York treats dividends from bank stock the same as income from any other business, which surely is an equitable provision, more so than a graduated income tax would be. There is no reason why income from a bank that earns \$100,000 should be taxed greater than income from the same amount of invested capital in a bank that earns only \$50,000.

Then there is the field of earned and unearned income which has entered into the income tax system, which would add further complication to a universal income tax based on the income of the bank. The more the subject is studied, the more we will come to consider bank stock as tangible property because all the information desired as to ownership of the shares and value of the stock can be obtained from the bank without approaching the owner of the shares. Bank stock stands out in the open while all other property classed as intangible does not, and there is always the opportunity for argument between the owner of the property and the assessor as to actual value of property other than bank shares.

The fundamental principle involved in Section 5219 was that bank stock should not be taxed greater than the same class of property in the hands of individuals, and taking this principle as a guide, bank stock should be taxed on the same basis as other personal property. You cannot help but arrive at this conclusion if the subject is studied thoroughly. A comparison of an investment of capital in bank stock with a like amount invested in other corporations or partnership engaged in merchandising or manufacturing will bring you to this conclusion. In

other corporations the capital shares are not taxed, but the property in which the capital is invested is taxed. With banks, the capital is taxed, and under the law the result of the invested capital or the deposits in the bank are supposed to be returned for taxation of the owners of the deposits. This is not done as a rule but the fact that it is not done is not the fault of the banks and they should not be charged with the fact that money on deposit generally is not taxed.

The Purpose

The purpose of Section 5219 is clearly to prevent the sovereign state into whose territory an alien corporation receiving its charter not from the state but from the Federal government is located, from thwarting the governmental purpose for which the national bank was created by either destroying or crippling it, the policy of the government being to make the national bank independent of the state authorities, thereby making it possible for the national bank to function even if the state should attempt to take over the business of banking or destroy the state bank system, as was done in North Dakota. Radical changes in the law might make it possible for state authorities not only to tax national banks, but to reach out to tax the Federal Reserve Banks in the state in which they are located.

Two distinct plans might be adopted in amending Section 5219. First a complete and definite tax on banks by the Federal government for the benefit of the states, second the continuation of the permission to the state to tax the stock of the banks with restrictions similar to those now contained in the law to guard against abuses or exorbitant taxes by states authorities such as developed in North Dakota.

You are, of course, all familiar with the two important bills that have been introduced in Congress in this connection, the McFadden Bill and the Kellogg Bill, the latter which provides for classification of national and state banks, which in the light of experience in our state is the worst possible grouping, and this bill should be vigorously opposed. The McFadden Bill, with some slight changes by which tangible personal property in the hands of individuals can be equitably taxed should be made the basic principle for taxing bank shares. An amendment to Section 5219 might be written that would cover this point. Such amendment would be, "the tax imposed shall not be at a greater rate than is imposed upon the tangible personal property, generally of the individual citizen of the state, or greater in rate than is assessed against banking institutions organized or created under the laws of the state."

The McFadden Bill carries the provision that an income tax may be substituted for a tax on the shares of national banks, but the bill is not well worded. A better wording would be "In any state where a tax in lieu of a personal property tax is assessed upon net income, such state may, in lieu of a tax upon the shares of stock impose upon a bank an income tax, but such tax shall not be at a greater rate than is assessed against the like net income of citizens of the state."

I recently read a very interesting article in one of the financial journals by Robert Murray Haig, Ph.D., School of Business, Columbia University, the title to which was, "The Crisis in State and Federal Taxation of Banks." In my judgment the crisis exists very largely in the minds of members of the State Tax Commissioners Association. Banks in our part of the country have never resisted or complained of taxes that were somewhere near equitable. Bank stock with us has always been taxed considerably higher than any other class of property and there has been no difficulty on the part of the taxing authorities in arriving at the value of the bank shares. In our state we have demonstrated the fact that banks are not tax evaders, for notwithstanding the fact that under the Federal laws and by the decision of our State Supreme Court, the taxes assessed against national banks for the years 1919, 1920, 1921 and 1922, and against state banks for the years 1920, 1921 and 1922, were illegal and uncollectible, our banks, after collectively going over the situation voluntarily made the effort to pay a tax on their shares of stock for the years involved equal to the tax imposed on other classes of personal property and payment has been made by practically all the banks in the state on this basis, and I am sure North Dakota banks have no monopoly on the spirit of fairness and equity shown by this act.

The General Policy

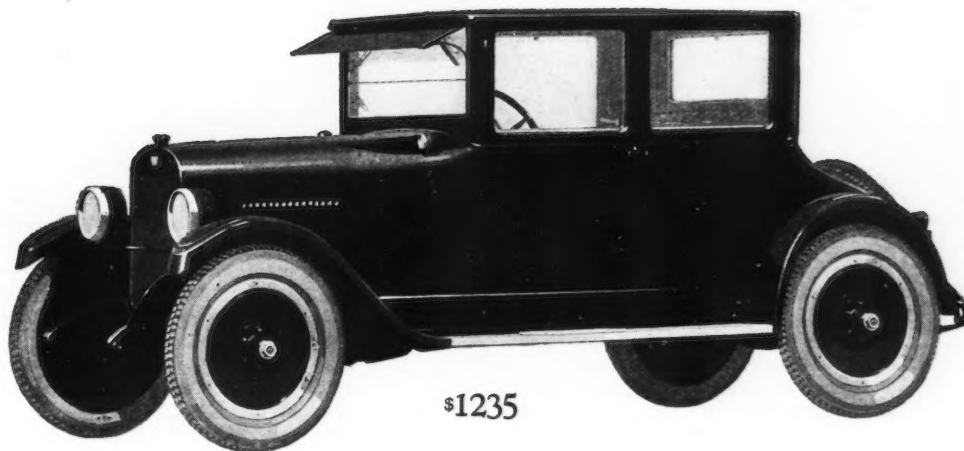
Taking the whole subject into consideration, I can see no reason for changing the general policy of taxation of bank shares which was established under Section 5219 of the Federal Statute, and believe that this general policy should be continued. The present and probably permanent laws taxing the income of the bank and the income of the shareholders other than that part of income derived from a bank or other corporation on which the tax is paid by the corporation, with the possible exception that bank stock should be classified and taxed the same as all other personal property in the hands of individuals, covers the entire situation very thoroughly.

It is true that bank stock is intangible personal property, but it is one type of intangible property that the assessor can always locate and on which the actual value can be fixed for the bank is compelled to give a list of the shareholders to county officials, and the sworn published statements of the bank leaves no door open to evade or misrepresent the value of the shares.

Elections

Officers were elected as follows: President, W. B. Hughes, Nebraska; First Vice-President, Mrs. Helen Brown, Michigan; Second Vice-President, W. F. Augustine, Virginia; Secretary, M. A. Graettinger, Illinois; members Board of Control, H. G. Huddleston, Tennessee; Edward J. Gallien, New York; William A. Philpott, Texas.

C. W. Allendorfer of Kansas City spoke in behalf of Clearing House plans and in explanation of the County Bureau of Credits.



Owners of the good Maxwell report that it is unusually repair-proof. The tremendous inroads it is making in public favor are directly due to its superior performance.

Cord tires, non-skid front and rear; disc steel wheels, demountable at rim and at hub; drum type lamps; Alemite lubrication; motor-driven electric horn; unusually long springs; new type water-tight windshield. Prices F. O. B. Detroit, revenue tax to be added: Touring Car, \$885, Roadster, \$885; Club Coupe, \$985; Four-Passenger Coupe, \$1235; Sedan, \$1335

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Comptroller's Position on Branch Banking

DURING the last session of Congress, bills relating to branch banking were introduced by Senator Reed, Senator Capper, Representative Dyer, Representative McFadden and Representative Millspaugh.

The bills introduced by Senators Reed, Capper and Representative Dyer were identical. These prohibited a national bank association from owning or operating a branch bank or branch office and provided that any such branches in existence be discontinued.

Mr. Millspaugh's bill prohibited branches also, but proposed to exempt from the provisions of the bill branches or offices opened prior to July 1, 1922.

Mr. McFadden's bill proposed that the Comptroller of the Currency might authorize branches in any state where state banks or trust companies are authorized to operate branches, "and not elsewhere."

The position of D. R. Crissinger, Comptroller of the Currency, on branch banking is set forth in the following letter to Congressman Dyer, bearing date of August 15:

"I have your letter of August 14 and note your inquiry about branch banks. There is very much misinformation which has worked itself into a propaganda that is wholly unwarranted. The ruling that I have made does not in any way affect the state of Missouri, but one of your national bankers out there, acting upon the advice of his own attorney, established an office or agency in St. Louis, which has started the rumpus. I have particularly ruled in every instance that no branch office or agency would be authorized by me in states where state institutions did not have like facilities. It ought to be clear and it is fair, and there is no reason for anybody misunderstanding it.

"I have, on the other hand, permitted national banks in the large cities of states that permit state banks and trust companies to have agencies or offices, the privilege to have like agencies or offices, and no place else, and I think that is fair and equitable, and is, I believe, authorized under the National Bank Act.

"If it had been my duty to make the laws of the various states of the

Union I should not have permitted branch banking, but, unfortunately, twenty-two states of the Union, either by permissive action of the State Superintendents of Banking or by direct authorization of the legislatures of the states, do permit agencies, offices or branch banks. This has brought about a condition which threatens the national banking system in these respective states. To illustrate: In my own state of Ohio we have a bank in Cleveland operating under a state charter, with forty-six branches in that city, and is now extending its operations throughout the state, and has absorbed—practically put out of business—all the big national banks in Cleveland, and we have, I think, four small national banks left.

"Take the city of Detroit, with only three national banks, with a population of 900,000, the rest having been put out of business by 185

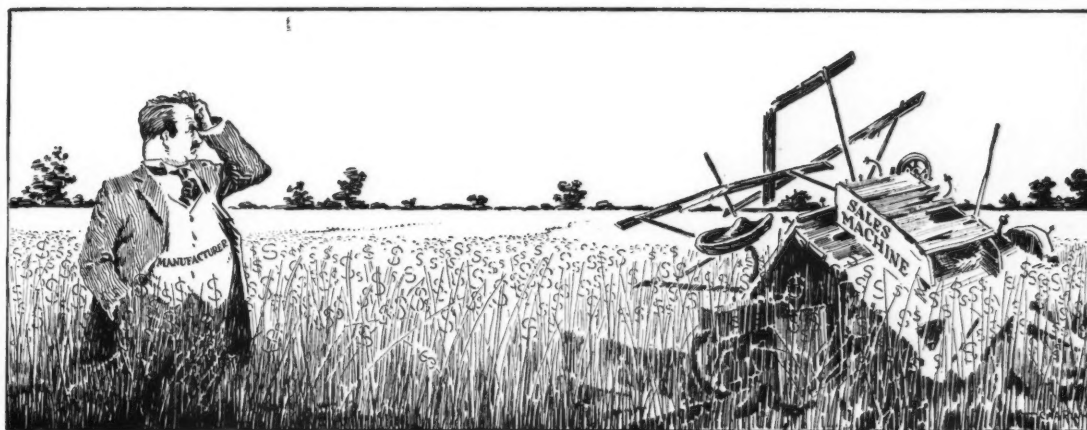
state banks and branches.

"There are two very serious sides to this proposition, and if the backbone of the national finances is to be preserved we have got to preserve the national banking system in order to accomplish it, so I say to you, if I had originally been passing the laws of the various states I would not have permitted branch banking, but it is not a theory—it is a condition that has got to be met now, if we are to preserve the system which has been the backbone of the country since 1865.

"I, indeed, would be glad to talk this matter over with you, and I have the legislation in my head that I think would correct the whole thing and preserve the situation probably as you want it preserved, and if you can spare a little time I shall be very glad to go over the whole situation with a view of appropriate legislation.



Underwood & Underwood
TRIBUTE TO FOUNDER OF AMERICA'S BANKING SYSTEM—ALEXANDER HAMILTON
 Scene in Trinity Churchyard, New York. During the convention a wreath from the American Bankers Association was placed on the tomb of Alexander Hamilton.
 Left to right—Henry Collins Brown, of the New York Historical Society; George C. Heilner, representing the Sons of the Revolution; Charles Olney, of the Bank of New York, founded by the great Federalist; William J. Boyd, sexton of Trinity Church; and William G. Fitzwilson, Secretary of the American Bankers Association.



The Harvest Is Ready, But He Has No Harvesters

A group of bankers loaned over \$10,000,000 to a company whose product was sold largely to farmers.

Later, when farmers were not buying, these bankers had to take charge of the business, and for nearly two years have directed its management.

They have kept the plant in perfect condition, and in every way have protected the physical assets on which they made the loan.

But all advertising was discontinued.

The productive capacity of the plant was maintained, and goods can be made in quantities, but the output cannot be sold, because no effort has been made to maintain a demand for the company's product.

The sales organization has been badly shattered and many of the best dealers have been lost as a result.

Now that farmers are buying again,

the company cannot profit, and the sales machinery must be built anew.

The harvest is ready, but the company has no harvesters

About a third of our people live in the country. Manufacturers of anything the farmers use, eat or wear cannot afford to neglect this large market, and bankers should see to it that their customers protect at all times the asset of good will and consumer demand.

The farmers are buying now. The United States Department of Agriculture estimates they will have a billion and a quarter dollars more to spend than last year.

Representatives of *THE COUNTRY GENTLEMEN* will be glad to discuss this great sales opportunity with any one interested.

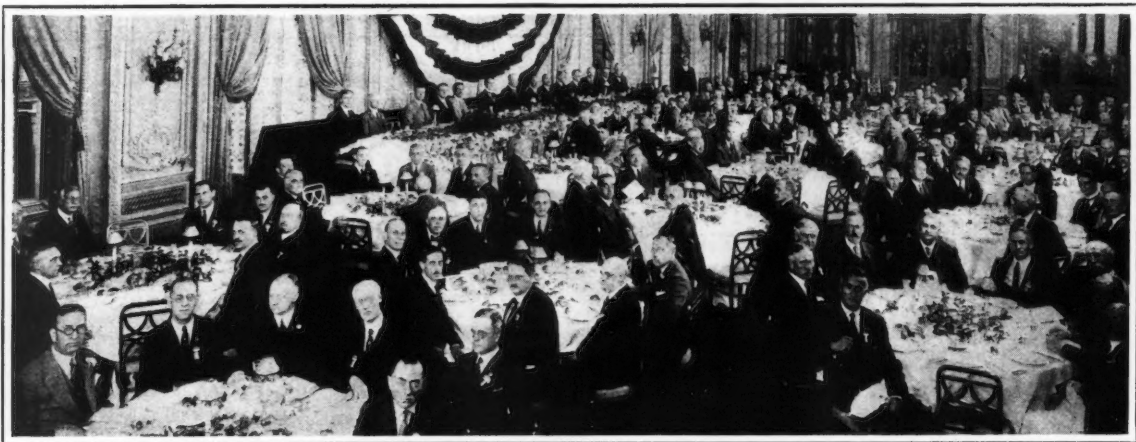
The COUNTRY GENTLEMAN

The Curtis Publishing Company, Independence Square, Philadelphia, Pennsylvania

The Country Gentleman

The Saturday Evening Post

The Ladies' Home Journal



Committee of One Hundred Luncheon

Our Stock of Gold a Sacred Trust

Address of Governor Benjamin Strong

GOVERNOR Benjamin Strong of the Federal Reserve Bank of New York was one of the speakers at a luncheon on Tuesday, October 3, at the Waldorf-Astoria hotel given by the Committee of One Hundred for Thomas B. McAdams and the Executive Council of the American Bankers Association in which he declared that the great store of gold in this country was a sacred trust. Governor Strong said:

Since the outbreak of the war, writers and speakers upon public questions, have set forth to us various reasons why we might expect a breakdown of the world's economic machinery, of what calamities—social, political and economic—were about to overtake the world, and in some cases just about when this was all to happen.

While gloomy and ominous views as to currencies, debts, foreign exchange, Bolshevism, government insolvencies, and like affairs are absorbing people's attention, let me remind you of the most important thing that appears to be taking place. We sometimes forget it.

Reasons for Confidence

The earth is still growing crops, the soil is still fertile, the sun shines on it, the rains fall upon it, and the crops are grown and harvested and feed people. The mines still furnish us with coal and metals. The forests still grow, and the oceans and rivers still give up their annual catch of fish. A small section of the world has been injured and a small fraction of Europe has been devastated by the war, considerable property has been destroyed, and millions of young men to our great sorrow have been killed and maimed. It was a calamity of awful moment, but sad-as is the plight of the sufferers, the old world still goes on producing. And how small the destruction when compared to the whole of the great earth, and its capacity to continue giving us all that we need if we

are willing to work to get it. It is, I believe, a fact that since the Armistice was signed in 1918, standards of living in the world at large have gradually shown a net improvement and especially so in most parts of middle Europe; the ships of commerce still traverse the seven seas; means of transportation and communication in most parts of the world are as abundantly supplied as ever; the world's institutions of learning are crowded with students; science seems to have suffered no check in its development; and yet we know that something is wrong. Surely nature remains the same and retains her capacity to reward us for our labor.

I am tempted to quote from the 100-year-old hymn that "every prospect pleases and only man is vile" because unless I am wholly mistaken, if there is nothing fatally wrong with nature and with the material things of this world, then the trouble must be with some of the workers and possibly with the instruments, especially what I shall call the systems of bookkeeping, which they employ.

The point that I wish to make can be illustrated in a crude way by describing another very simple fact: We think of wealth in terms of money, which is simply a representative word, enabling us to express measurement, and we think of our own country in terms of dollars as the one enjoying the greatest national wealth. Three or 400 years ago our country had greater resources in the soil, in mineral and oil deposits, in the forests and rivers, than exist today, because some of those resources have since been consumed, and yet 300 years ago many of the few million Indians living in the midst of this abundance starved every winter for lack of food. Natural resources alone, therefore, do not make wealth. On the other hand, there are nations in the East with populations in numbers and density far exceeding our

own, where poverty, famine and starvation have existed in recent years in appalling proportions. What does this all mean? To me it means that natural resources alone are not wealth; that population alone is not wealth. Wealth, then, must be what the earth delivers in response to the work—the energy—of hard working people, applied to nature with useful instruments to aid their toil. It is the practice of thrift, the capacity for invention, that makes wealth.

Not Due to War Alone

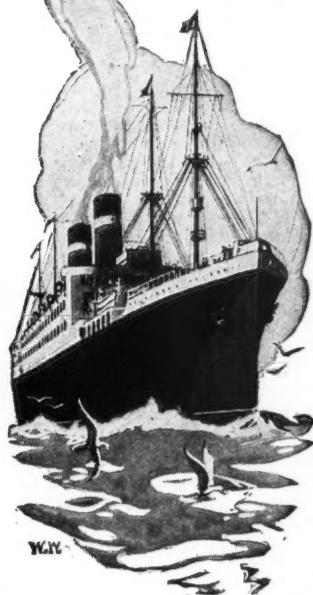
The damage to the world's economic welfare and the consequent impairment of morale is due not alone to a war of four years' duration, but to forty years or more of preparation for war, in which too many of the world's workers were engaged in building up military machines. Their principal product was heavier taxes. It was misdirected energy in which millions of men were only consumers and not equivalent producers. And this process of arming for conflict had its natural and usual outcome in the conflict itself, which completed in a dramatic and tragic way the work of destruction which had been going on for many years in a less obvious way. This destruction, not of physical property alone, which has been comparatively slight, but of morale, of the spirit of energy and enterprise, cannot be wholly restored until the conditions are suitable to inspire it.

Much to Encourage

But looking at the situation more strictly with regard to material progress, there seems to be much from which to draw encouragement. We know, for instance, that the world is producing an increasing supply of foodstuffs; that the requirement for emergency feeding in various parts of the world has almost disappeared; and that the distribution of food supplies and other essentials of life,



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venience of the traveler). The mind will conjure up lightening views of the myriad delights to come. Then the trip itself—crowded days of seeing, hearing, living! And the years after, when cherished memories grow more and more lustrous!

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THE MUNSON STEAMSHIP LINES from New York to South America;

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is becoming more effective. Even with respect to Germany, we may gain some idea of the material progress which is being made by quoting from recent reports. Take for example German imports. Figures published this month in the *London Economist* show increases from 1,500,000 metric tons in May, 1921, in an almost steady ratio, until they reached 4,800,000 tons in July of this year. I have been told within the last few days that unemployment in Germany is now estimated at 100,000 men, although considerable sections of industry are still working on part time. A dispatch from Berlin dated September 11, states the ship movement in and out of the port of Hamburg for the first seven months of this year to be 14,500,000 net tons, compared with 9,000,000 tons in the corresponding period last year, 4,000,000 tons in 1920, and less than 1,500,000 tons in 1919. The improvement in shipping in the port of Bremen is reported to be equally striking. Reports of exports also indicate improvement. Measured by weight—as values in marks are meaningless—they averaged in the last five months of 1921, 1,750,000 metric tons a month against 2,000,000 a month in the first seven months of 1922. Figures of similar import can be reported for other countries. Do not understand me to imply that the recovery has been fully to pre-war conditions, nor in fact to such standards as are essential to the well-being of Europe. But it has been both striking and encouraging. These and similar reports do emphasize, however, that the material well-being of the world, which can be judged in part by the quantity of goods purchased and consumed, has been improving despite the deplorable impairment of the instruments which we have heretofore considered almost essential to the successful conduct of modern industry and commerce.

Economic Machinery

What the world needs today is a reconstruction of economic machinery so that there may be a more effective application of the energy of workers to the production and distribution of the things that we need, and such a reorganization as will insure that what is produced is fairly distributed among the workers in return for the work done by each.

Bank notes, bank deposits, credit, foreign exchange—all of these things are simply man devised bookkeeping instruments with which the transaction and accounts of trade are conducted, just as government loans and taxes are the instruments with which the financial business of governments are conducted. Fluctuations in the value of purchasing power of these instrument means uncertainty as to the value of everything, including the labor of working men, but still worse, injustice to one or another class of people, and consequently dissatisfaction and discontent. You have observed how quite inevitably discussion centers upon just such matters as government debts, taxes, currencies and exchange, but the restoration of depreciated currencies, the return of foreign exchanges to par, the resumption of gold payment, even the cancellation of gov-

ernment debts, the reduction of taxes, and the balancing of budgets in consequence, will not of themselves alone increase production one iota, any more than the creation of these enormous debts and the printing of the currency increased production. Only work will do that. But the object to be accomplished by a reorganization of these bookkeeping affairs is nevertheless of prime importance. It will help to repair shattered morale, increase the incentive to work, to produce and to save, and replace discouragement with hope. It will lessen causes for dissatisfaction and social unrest, and dispel the feeling that injustice is being suffered. Without improved morale, increase of production and distribution will be slow, people will not work hopefully and efficiently for inadequate or uncertain return, and the standard of living, which means not only food and clothing, but education and healthy enjoyment, may indeed decline.

New Currency Proposals

A great variety of proposals have been advanced for dealing with these matters, especially depreciated currencies and foreign exchanges.

Possibly a word of doubt is justified as to some of these plans, but I shall only refer to those relating to the foreign exchanges. They all present one similar characteristic, which is that some new kind of currency or instruments of payment shall be created through the agency of a new organization with a vast capital and gold reserve; that these new instruments shall be employed for international payments and be issued against credits extended by the organization, and that they shall be maintained at gold par. Any such currency, issued against credits extended to Europe, could be stable in value and equivalent to gold only so long as it was promptly redeemed in gold. It would, in fact, be subject to the same influences which now influence any gold movement. In other words, it would immediately come to this country. There would be nothing for us to do with it except to redeem it. Such currency could not make our foreign payments any better than present instruments of payment, nor could it be exported any more than gold can be exported under present conditions. Once here it would stay here. The gold reserve would promptly be shipped to this country just as other gold now comes to this country. If, on the other hand, it was not redeemed in gold, then it would depreciate just as any other irredeemable currency depreciates and its value as a stable international medium would disappear. Such an organization could do no more than our existing credit organization is now doing in extending credit to Europe and in maintaining an international gold currency, so long as the currency depreciation continues in Europe and gold payment is suspended.

Must Live Within Incomes

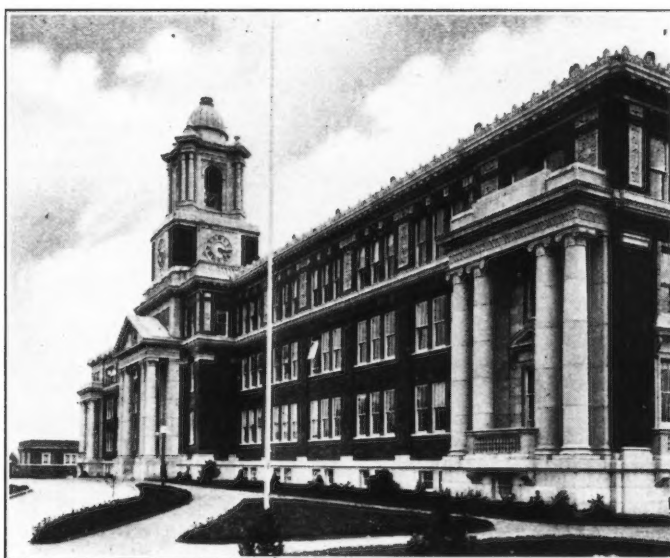
In fact, no one of the plans that I have seen is capable of success until governments live within their incomes and until the amount of taxes required to enable governments to live within their

incomes is within the capacity of those upon whom the taxes are levied to pay them. The penalty of an unbalanced budget is a depreciated currency, and a depreciated exchange. The penalty of excessive taxation is to retard enterprise and production. We here see the vicious circle of currency depreciation and declining revenues, increasing expenses and taxes and arrested or reduced production, which means a reduced capacity to pay taxes. So soon as public opinion enables or requires governments to reduce expenditures to the point where bearable taxes will cover them, then further issues of currency will cease, and not until then.

Fluctuating currency and exchange values render trade speculative and hazardous. They retard the development of our trade with the rest of the world and theirs with us. How may the American bankers assist in European recovery, and by so doing, how may we assist ourselves? I believe that no one questions the generosity of the American people, nor doubts their desire to help. It is upon such matters as this that we can reflect with some profit.

The emergency of the war created conditions which resulted in our receiving about a billion dollars of the world's monetary gold prior to our entering the war, and on balance over a half a million more since the war ended. Our gold stock is still being increased by importations. The warring nations, which suspended gold payment, resorted to printing paper money and suffered currency depreciation. We, on the other hand, with this great store of gold, have had thrust upon us the capacity to expand our credit and currency upon a gold basis just as a large part of Europe expanded its currency issues without adequate gold basis. If permitted to do so, this gold is capable of bringing about a dangerous enlargement of credit in this country with consequences which might be more disturbing to our economic welfare than if we had never received the gold. We should, I believe, regard our excess of gold as a sacred trust. Of course, we shall employ it as the basis for the extension of all the credit that is required for the sound development of our domestic and foreign commerce. But it must not be permitted to encourage or sustain the kind of speculation which adds nothing to our wealth, our welfare or our happiness, which would, in fact, only raise prices, and which would eventually undermine our prosperity. It is so ample and more than ample for all of our legitimate requirements that we need feel no misgivings as to the solidity of our credit structure no matter what emergency may arise.

Now our bankers can probably do little to influence the policies of foreign governments and finance ministers. I do not believe that we can just now successfully aid with schemes for issuing new currencies, or for stabilizing the exchanges until the fundamental conditions which I have mentioned justify that kind of help; but we can at least maintain ourselves in condition so that we may render effective aid when conditions warrant our doing so and in the meantime preserve our own economic strength unimpaired.



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The Company's resources are over \$30,000,000, including capital and surplus of \$10,389,908.

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The Company enjoys the reputation of treating its policyholders, obligees and claimants fairly and justly.

Sixty-five claim divisions are conveniently located throughout its territory for prompt and efficient service to policyholders.

Maryland Casualty Company

Baltimore

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It is, however, my confident belief that gradual improvement is taking place in the material conditions under which people are living abroad, notwithstanding what you may regard as evidence to the contrary. This affords ground for steadily increasing hope that European governments will be able to deal successfully with the bookkeeping problems to which I have referred. More regular employment and more comfort for the working man, gradual enlargement of the business turnover, the subsidence of political uneasiness and distrust, a better public understanding of the problems of debts, taxation and currencies, and the adjustment of men's minds and habits to new conditions of life for which the human race seems to enjoy an unexpected ca-

capacity, all lead me to believe that while still obscure, the foundations of public opinion, upon which the work of repair must rest, are gradually being laid.

If all this be true, then indeed the day may come when American bankers can safely and profitably enter into undertakings which in fact we alone of all the nations have the strength to make. We can furnish assistance for currency and banking reestablishment in Europe, we can invest in their enterprises and aid in their refunding, not alone by lending them credit—but by later returning the gold which will be essential to enable them to help themselves.

But of paramount importance in restoring the confidence of people in their governments, in their financial systems, in

credit, in the purchasing power of currencies and in all of those things which afford us security in the value of our labor, of what we produce, and of what we save, is the assurance we must have that we have seen the end of devastating wars.

Seward Prosser presided. Other speakers were Myron T. Herrick, Ambassador to France; Thomas B. McAdams; Dwight Morrow of the firm of J. P. Morgan & Co.; John H. Puelicher, president of the Marshall & Ilsley Bank, Milwaukee; Pierre Jay, Fred N. Shepherd, Seymour L. Cromwell, Walter E. Frew, Reginald McKenna, Walter W. Head, Stephen Baker, Richard S. Hawes, Guy Emerson, P. W. Goebel and Senator William Calder.

Committees and Commissions

PRESIDENT PUELICHER has announced the membership of committees and commissions for the year 1922-23 as follows:

Administrative Committee

John H. Puelicher, president Marshall & Ilsley Bank, Milwaukee, Wis., chairman.

J. W. Barton, vice-president Metropolitan National Bank, Minneapolis, Minn.

Samuel H. Beach, president Rome Savings Bank, Rome, N. Y.

Alexander Dunbar, vice-president Bank of Pittsburgh N. A., Pittsburgh, Pa.

Walter W. Head, president Omaha National Bank, Omaha, Nebr.

Frank L. Hilton, vice-president Bank of the Manhattan Co., New York, N. Y.

William E. Knox, president Bowery Savings Bank, New York, N. Y.

Thomas B. McAdams, vice-president Merchants National Bank, Richmond, Va.

H. A. McCauley, president Sapulpa State Bank, Sapulpa, Okla.

Waldo Newcomer, president National Exchange Bank, Baltimore, Md.

Theo. G. Smith, vice-president Central Union Trust Co., New York, N. Y.

Oscar Wells, president First National Bank, Birmingham, Ala.

Finance Committee

Walter W. Head, president Omaha National Bank, Omaha, Nebr., chairman.

W. Meade Addison, president Planters National Bank, Richmond, Va.

Wm. J. Gray, vice-president First National Bank, Detroit, Mich.

Jacob H. Herzog, vice-president National Commercial Bank & Trust Co., Albany, N. Y.

Chas. H. Ireland, president Washburn Bank, Washburn, Ill.

Fred A. Irish, vice-president First National Bank, Fargo, N. D.

J. J. Jamieson, cashier First National Bank, Shullsburg, Wis.

William E. Knox, president Bowery Savings Bank, New York, N. Y.

Arthur V. Morton, vice-president Pennsylvania Co. for Insurances on Lives and Granting Annuities, Philadelphia, Pa.

Agricultural Commission

(Note: Numbers in parenthesis indicate Federal Reserve District.)

Burton M. Smith, (7) president Bank of North Lake, North Lake, Wis., Chairman.

E. J. Bodman, (8) vice-president and secretary Union & Mercantile Trust Co., Little Rock, Ark.

C. E. Burnham, (10) president Norfolk National Bank, Norfolk, Nebr.

J. Elwood Cox, (5) president Commercial National Bank, High Point, N. C.

Membership Dues

Seventy per cent. of all banking institutions are members of the American Bankers Association, and it is very gratifying to report that approximately 90 per cent. of our members have remitted their dues.

Members who have not remitted are urged to send a remittance in New York funds direct to the American Exchange National Bank, New York, making checks payable to the order of that institution. The By-Laws provide that membership dues are payable in advance as of September 1st, and to avoid unnecessary correspondence and delay, members are respectfully urged to forward promptly their remittance. Such cooperation will be appreciated.

A certificate-draft covering membership dues was forwarded to all members under date of September 1st, together with an insert for the membership sign. On the reverse side of the certificate-draft, a schedule of dues was printed, but if the certificate has been misplaced, members are referred to the schedule of dues on page 74 of the August, 1922, issue of the Journal. A remittance based on such schedule may be forwarded.

W. I. Forbes, (9) president Bank of Gilby, Gilby, N. D.

E. B. Harshaw, (3) cashier Grove City National Bank, Grove City, Pa.

Joseph Hirsch, (11) president Corpus Christi National Bank, Corpus Christi, Texas.

Chas. B. Lewis, (6) president Fourth National Bank, Macon, Ga.

John T. Manson, (1) President First National Bank, New Haven, Conn.

C. D. Rorer, (12) president Bank of Commerce, Eugene, Oregon.

R. D. Sneath, (4) president Commercial National Bank, Tiffin, Ohio.

S. G. H. Turner, (2) president Second National Bank, Elmira, N. Y.

Commerce and Marine Commission

Fred I. Kent, vice-president Bankers Trust Company, New York, N. Y., chairman.

M. E. Ailes, president Riggs National Bank, Washington, D. C.

David R. Forgan, president National City Bank of Chicago, Chicago, Ill.

Earl S. Gwin, president Lincoln Bank & Trust Co., Louisville, Ky.

Edmund D. Hulbert, president Merchants Loan & Trust Co., Chicago, Ill.

J. R. Kraus, vice-president and executive manager The Union Trust Co., Cleveland, Ohio.

John G. Lonsdale, president National Bank of Commerce, St. Louis, Mo.

John McHugh, president Mechanics & Metals National Bank, New York, N. Y.

Robert F. Maddox, president Atlanta National Bank, Atlanta, Ga.

Lewis E. Pierson, chairman of Board, Irving National Bank, New York, N. Y.

Charles H. Sabin, chairman of Board, Guaranty Trust Co., New York, N. Y.

J. W. Spangler, president Seattle National Bank, Seattle, Wash.

Lewis L. Strauss (also secretary to the commission), Kuhn, Loeb & Co., New York, N. Y.

F. O. Watts, president First National Bank, St. Louis, Mo.

Daniel G. Wing, president First National Bank, Boston, Mass.

D. B. Bunim, assistant secretary, 5 Nassau Street, New York, N. Y.



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M. A. Traylor, president First Trust & Savings Bank, Chicago, Ill., chairman.

A. E. Adams, president Dollar Savings & Trust Company, Youngstown, Ohio.

Stephen Baker, president Bank of the Manhattan Company, New York, N. Y.

Richard S. Hawes, vice-president First National Bank, St. Louis, Mo.

Craig B. Hazlewood, vice-president Union Trust Company, Chicago, Ill.

R. S. Hecht, president Hibernia Bank & Trust Co., New Orleans, La.

Charles A. Hinsch, president Fifth-Third National Bank, Cincinnati, Ohio.

George E. Roberts, vice-president National City Bank, New York, N. Y.

H. M. Robinson, president First National Bank, Los Angeles, Calif.

John W. Staley, president Peoples State Bank, Detroit, Mich.

Paul M. Warburg, chairman of Board, International Acceptance Bank, New York, N. Y.

Evans Woollen, president Fletcher Savings & Trust Co., Indianapolis, Ind.

Walter Lichtenstein, executive secretary The First National Bank, Chicago, Ill., secretary.

Banking and Currency Committee of the Economy Policy Commission

Paul M. Warburg, chairman of Board, International Acceptance Bank, New York, N. Y., chairman.

R. S. Hecht, president Hibernia Bank & Trust Co., New Orleans, La.

Charles A. Hinsch, president Fifth-Third National Bank, Cincinnati, Ohio.

Waldo Newcomer, president National Exchange Bank, Baltimore, Md.

Evans Woollen, president Fletcher Savings & Trust Co., Indianapolis, Ind.

Public Relations Commission

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W. G. Edens, vice-president Central Trust Company of Illinois, Chicago, Ill.

Fred W. Ellsworth, vice-president Hibernia Bank & Trust Co., New Orleans, La.

Guy Emerson, vice-president National Bank of Commerce, New York, N. Y.

M. E. Holderness, vice-president First National Bank, St. Louis, Mo.

W. R. Morehouse, vice-president Security Trust & Savings Bank, Guaranty Office, Los Angeles, Calif.

Gurden Edwards, secretary, 5 Nassau Street, New York, N. Y.

Committee on Conference—Agricultural Credits

M. A. Traylor, president First Trust & Savings Bank, Chicago, Ill., chairman.

L. A. Andrews, president Citizens Savings Bank, Ottumwa, Iowa.

R. S. Hecht, president Hibernia Bank & Trust Co., New Orleans, La.

George A. Holderness, chairman of Board, Farmers Banking & Trust Co., Tarboro, N. C.

J. D. Phillips, vice-president Green Valley Bank, Green Valley, Ill.

Committee of Five

Charles deB. Claiborne, vice-president Whitney-Central National Bank, New Orleans, La., chairman.

H. A. McCauley, president Sapulpa State Bank, Sapulpa, Okla.

C. C. Vaughan, Jr., cashier Vaughan & Co., Franklin, Va.

E. M. Wing, president Batavian National Bank, La Crosse, Wis.

Wirt Wright, president National Stock Yards National Bank, National Stock Yards, Ill.

Committee on Membership

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M. W. Fitz, president Farmers Savings Bank, Manson, Iowa.

Wm. B. Hughes, secretary Nebraska Bankers Association, Omaha, Nebr.

David I. Mead, president The South Brooklyn Savings Institution, Brooklyn, N. Y.

Harry M. Rubey, president Rubey National Bank, Golden, Colo.

Members ex-officio:

Thomas B. Paton, General Counsel, 5 Nassau Street, New York, N. Y.

F. N. Shepherd, Executive Manager, 5 Nassau Street, New York, N. Y.

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Clarence R. Chaney, assistant cashier Northwestern National Bank, Minneapolis, Minn.

Walter Lichtenstein, executive secretary The First National Bank, Chicago, Ill.

Carter E. Talman, assistant cashier, American National Bank, Richmond, Va.

D. C. Wills, chairman of Board, Federal Reserve Bank, Cleveland, Ohio.

C. F. Zimmerman, treasurer Lebanon County Trust Co., Lebanon, Pa.

Richard W. Hill, 5 Nassau Street, New York, N. Y.

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F. F. Johnson, president Boise City National Bank, Boise, Idaho.

W. F. Keyser, secretary Missouri Bankers Association, Sedalia, Mo.

Robert McEvilly, vice-president First National Bank, Cincinnati, Ohio.

Giles H. Miller, vice-president and cashier Lynchburg National Bank, Lynchburg, Va.

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Frank W. Blair, president Union Trust Company, Detroit, Mich.

E. C. McDougal, president Marine Trust Co., Buffalo, N. Y.

W. D. Vincent, president Old National Bank, Spokane, Wash.

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R. S. Hecht, president Hibernia Bank & Trust Co., New Orleans, La.

Carter E. Talman, assistant cashier, American National Bank, Richmond, Va.

Walter Lichtenstein, executive secretary The First National Bank, Chicago, Ill., secretary.

Committee on Removal to Washington

Harry J. Haas, vice-president First National Bank, Philadelphia, Pa., chairman.

A. E. Adams, president Dollar Savings & Trust Company, Youngstown, Ohio.

S. H. Beach, president Rome Savings Bank, Rome, N. Y.

Frank W. Blair, president Union Trust Co., Detroit, Mich.

R. E. Cone, president James Valley Bank, Huron, S. D.

R. R. Frazier, president Washington Mutual Savings Bank, Seattle, Wash.

Richard S. Hawes, vice-president First National Bank, St. Louis, Mo.

Craig B. Hazlewood, vice-president Union Trust Company, Chicago, Ill.

Walter W. Head, president Omaha National Bank, Omaha, Neb.

R. S. Hecht, president Hibernia Bank & Trust Co., New Orleans, La.

Charles A. Hinsch, president Fifth-Third National Bank, Cincinnati, Ohio.

Joseph Hirsch, president Corpus Christi National Bank, Corpus Christi, Texas.

J. A. House, president Guardian Savings & Trust Co., Cleveland, Ohio.

Chas. H. Ireland, president Washburn Bank, Washburn, Ill.

F. F. Johnson, president Boise City National Bank, Boise, Idaho.

Fred I. Kent, vice-president Bankers Trust Company, New York, N. Y.

John G. Lonsdale, president National Bank of Commerce, St. Louis, Mo.

H. A. McCauley, president Sapulpa State Bank, Sapulpa, Okla.

Waldo Newcomer, president National Exchange Bank, Baltimore, Md.

E. A. Onthank, president Safety Fund National Bank, Fitchburg, Mass.

J. A. Ormond, cashier Citizens State Bank, Marianna, Fla.

Francis H. Sisson, vice-president Guaranty Trust Co., New York, N. Y.

Theo. G. Smith, vice-president Central Union Trust Co., New York, N. Y.

R. E. Talbott, cashier Citizens National Bank, Philippi, W. Va.

M. A. Traylor, president First Trust & Savings Bank, Chicago, Ill.

Committee on State Taxation

Elmer A. Onthank, president Safety Fund National Bank, Fitchburg, Mass., chairman.

R. W. Akin, cashier Peoples State Bank, Sullivan, Ind.

O. W. Arcularius, cashier Bank of Washington, Washington, Mo.

Wayne Hummer, president LaSalle National Bank, La Salle, Ill.

C. J. Wohlenberg, president Holstein Savings Bank, Holstein, Iowa.

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Oliver C. Fuller, president First Wisconsin National Bank, Milwaukee, Wis., chairman.

Morris F. Fry, assistant treasurer Guaranty Trust Company, New York, N. Y.

C. H. McNider, president First National Bank, Mason City, Iowa.

Edgar L. Mattson, vice-president Midland National Bank, Minneapolis, Minn.

Elmer A. Onthank, president Safety Fund National Bank, Fitchburg, Mass.

Roy C. Osgood, vice-president First Trust & Savings Bank, Chicago, Ill.

A. C. Robinson, president Peoples Savings & Trust Co., Pittsburgh, Pa.

Protective Committee

This committee is composed of five members and their names are not made public.

Committee on Federal Legislation

A. E. Adams, president First National Bank, Youngstown, Ohio, chairman.

Eugene E. Hoge, president State National Bank, Frankfort, Ky.

Ford E. Hovey, president Stock Yards National Bank, Omaha, Neb.

J. B. McCargar, vice-president Crocker National Bank, San Francisco, Calif.

F. J. Scheidenhelm, president State Bank & Trust Co., Evanston, Ill.

Geo. O. Walson, president Liberty National Bank, Washington, D. C.

Federal Legislative Council

A. E. Adams, president First National Bank, Youngstown, Ohio, chairman.

State chairmen of Federal Legislative Council are as follows:

National Bank of Commerce in New York

Established 1839

STATEMENT OF CONDITION SEPTEMBER 15, 1922

RESOURCES	LIABILITIES
Loans and Discounts.....\$225,452,494.70	Capital Paid up.....\$25,000,000.00
Overdrafts, secured and unsecured 3,629.47	Surplus 25,000,000.00
United States Securities 99,531,584.53	Undivided Profits..... 12,778,559.58
Other Bonds and Securities 7,037,857.54	Deposits 391,716,483.46
Stock of Federal Reserve Bank 1,500,000.00	Dividends unpaid ... 12,556.50
Banking House 4,000,000.00	Reserved for Interest, Taxes and other Purposes 6,618,828.68
Cash in Vault and due from Federal Reserve Bank 58,472,902.14	Unearned Discount .. 1,365,476.30
Due from Banks and Bankers 5,575,645.55	Letters of Credit.... 11,636,217.41
Exchanges for Clearing House 59,220,192.68	Acceptances executed for Customers 19,838,747.59
Checks and other Cash Items 3,016,937.50	Acceptances sold with our endorsement... 1,587,787.46
Interest Accrued 1,065,113.38	
Customers' Liability under Letters of Credit and Acceptances 30,678,299.49	
\$495,554,656.98	\$495,554,656.98

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THOMAS WILLIAMS

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Arizona—Gordon H. Sawyer, vice-president Southern Arizona Bank & Trust Co., Tucson.

Arkansas—Virgil C. Pettie, vice-president England National Bank, Little Rock.

California—J. B. McCargar, vice-president Crocker National Bank, San Francisco.

Colorado—Frank J. Denison, vice-president Hamilton National Bank, Denver.

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Florida—J. A. Ormond, cashier Citizens State Bank, Marianna.

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Illinois—F. J. Scheidenhelm, president State Bank & Trust Co., Evanston.

Indiana—Chas. L. Zigler, vice-president First National Bank, South Bend.

Iowa—John A. Cavanagh, president Des Moines National Bank, Des Moines.

Kansas—C. L. Brokaw, vice-president and cashier Commercial National Bank, Kansas City.

Kentucky—Eugene E. Hoge, president State National Bank, Frankfort.

Louisiana—J. W. Bolton, president Rapides Bank & Trust Co., Alexandria.

Maine—Chas. H. Hichborn, president First National Granite Bank, Augusta.

Maryland—Heyward E. Boyce, president Drovers & Mechanics National Bank, Baltimore.

Massachusetts—E. A. Onthank, president Safety Fund National Bank, Fitchburg.

Michigan—Gus Hill, president First National Exchange Bank, Port Huron.

Minnesota—J. W. Barton, vice-president Metropolitan National Bank, Minneapolis.

Mississippi—G. J. Hauenstein, cashier First National Bank, Hattiesburg.

Missouri—R. F. McNally, vice-president and cashier National Bank of Commerce, St. Louis.

Montana—F. T. Sterling, president Western Montana National Bank, Missoula.

Nebraska—Geo. H. Gutru, president Newman Grove State Bank, Newman Grove.

Nevada—Fred Stadtmuller, assistant cashier Washoe County Bank, Reno.

New Hampshire—A. M. Stahl, president City National Bank, Berlin.

New Jersey—Chas. H. Laird, Jr., vice-president West Jersey Trust Co., Camden.

New Mexico—D. T. Hoskins, vice-president First National Bank, Las Vegas.

New York—S. G. H. Turner, president Second National Bank, Elmira.

North Carolina—J. Elwood Cox, president Commercial National Bank, High Point.

North Dakota—R. E. Barron, president Second National Bank, Minot.

Ohio—A. E. Adams, president First National Bank, Youngstown.

Oklahoma—A. L. Churchill, vice-president First National Bank, Vinita.

Oregon—Edgar H. Sensenich, vice-president Northwestern National Bank, Portland.

Pennsylvania—E. P. Passmore, president Bank of North America, Philadelphia.

Rhode Island—Florrymon W. Howe, vice-president Industrial Trust Co., Providence.

South Carolina—H. W. Fraser, president Peoples Bank, Georgetown.

South Dakota—J. A. Pritzkau, president American National Bank, Redfield.

Tennessee—Chas. A. Lyerly, president First National Bank, Chattanooga.

Texas—J. W. Hoopes, vice-president Central State Bank, Dallas.

Utah—Frank B. Cook, president Columbia Trust Co., Salt Lake City.

Vermont—Geo. H. V. Allen, president Allen National Bank, Fair Haven.

Virginia—Giles H. Miller, vice-president and cashier Lynchburg National Bank, Lynchburg.

Washington—J. A. Swalwell, president Union National Bank, Seattle.

West Virginia—R. E. Talbott, cashier Citizens National Bank, Philippi.

Wisconsin—Oliver C. Fuller, president First Wisconsin National Bank, Milwaukee.

Wyoming—Sumner Miller, cashier Pine Bluffs State Bank, Pine Bluffs.

In addition to the names listed above, the Federal Legislative Council is composed of the presidents and first vice-presidents of the Divisions and Sections, and the vice-presidents of the Association and of the Trust Company, Savings Bank, National Bank, and State Bank Divisions in each state. The by-laws provide that in each state the elective Executive Council member of the Federal Legislative Council (or if there is no such member, the state vice-president of the Association) shall be chairman of a sub-committee to be composed of the members of the Federal Legislative Council in that state and such other members as the state chairman shall appoint.

Committee on State Legislation

Craig B. Hazlewood, vice-president Union Trust Co., Chicago, Ill., chairman.

V. T. Barker, president Home Savings Bank, Kalamazoo, Mich.

Robert B. Clark, president The Bank of Tupelo, Tupelo, Miss.

M. R. Denver, president Clinton County National Bank, Wilmington, Ohio.

Walter P. Gardner, vice-president New Jersey Title Guarantee & Trust Co., Jersey City, N. J.

Chas. S. Hichborn, president First National Granite Bank, Augusta, Maine.

D. B. Johnson, vice-president Sioux Falls Savings Bank, Sioux Falls, S. D.

H. C. Lucas, president Yakima Trust Co., Yakima, Washington.

Ray Nyemaster, vice-president American Commercial & Savings Bank, Davenport, Iowa.

J. A. Ormond, Cashier Citizens State Bank, Marianna, Fla.

Chas. L. Schenck, vice-president The Peoples Trust Co., Brooklyn, N. Y.

F. J. Wikoff, president Tradesmen's National Bank, Oklahoma City, Okla.

State Legislative Council

Craig B. Hazlewood, vice-president Union Trust Co., Chicago, Ill., chairman.

State chairmen of State Legislative Council are as follows:

Alabama—Oscar Wells, president First National Bank, Birmingham.

Arizona—Gordon H. Sawyer, vice-president Southern Arizona Bank & Trust Co., Tucson.

Arkansas—Moorhead Wright, president Union & Mercantile Trust Co., Little Rock.

California—F. J. Belcher, Jr., president First National Bank, San Diego.

Colorado—H. M. Rubey, president Rubey National Bank, Golden.

Connecticut—Chas. E. Hoyt, secretary-treasurer South Norwalk Trust Co., South Norwalk.

Delaware—George H. Hall, president Milford Trust Co., Milford.

District of Columbia—Geo. O. Walson, president Liberty National Bank, Washington.

Florida—J. A. Ormond, cashier Citizens State Bank, Marianna.

Georgia—H. Lane Young, vice-president Citizens & Southern Bank, Atlanta.

Idaho—F. F. Johnson, president Boise City National Bank, Boise.

Illinois—Craig B. Hazlewood, vice-president Union Trust Co., Chicago.

Indiana—Frank D. Stalnaker, president Indiana National Bank, Indianapolis.

Iowa—Ray Nyemaster, vice-president American Commercial & Savings Bank, Davenport.

Kansas—Will Wayman, president Emporia State Bank, Emporia.

Kentucky—J. N. Kehoe, president Bank of Maysville, Maysville.

Louisiana—J. W. Bolton, president Rapides Bank & Trust Co., Alexandria.

Maine—Chas. S. Hichborn, president First National Granite Bank, Augusta.

Maryland—Heyward E. Boyce, president Drovers & Mechanics National Bank, Baltimore.

Massachusetts—J. H. Soliday, president Franklin Savings Bank, Boston.

Michigan—V. T. Barker, president Home Savings Bank, Kalamazoo.

Minnesota—C. H. Draper, president First National Bank, Wells.

Mississippi—Robert B. Clark, president The Bank of Tupelo, Tupelo.

Missouri—H. Y. Lemon, vice-president Commerce Trust Co., Kansas City.

Montana—R. O. Kaufman, vice-president Union Bank & Trust Co., Helena.

Nebraska—W. A. Taylor, vice-president Franklin County Bank, Hildreth, address mail—Hastings, Nebr.

Nevada—Fred Stadtmuller, assistant cashier Washoe County Bank, Reno.

New Hampshire—A. M. Stahl, president City National Bank, Berlin.

New Jersey—Walter P. Gardner, vice-president Title Guarantee & Trust Co., Jersey City.

New Mexico—D. T. Hoskins, vice-president First National Bank, Las Vegas.

New York—Chas. L. Schenck, vice-president The Peoples Trust Co., Brooklyn.

North Carolina—Joseph B. Ramsey, president First National Bank, Rocky Mount.

North Dakota—James J. Earley, president Bank of Valley City, Valley City.

Ohio—M. R. Denver, president Clinton County National Bank, Wilmington.

Oklahoma—F. J. Wikoff, president Trademans National Bank, Oklahoma City.

Oregon—Edgar H. Sensenich, vice-president Northwestern National Bank, Portland.

Pennsylvania—George D. Edwards, vice-president Commonwealth Trust Co., Pittsburgh.

Rhode Island—Florrimon W. Howe, vice-president Industrial Trust Co., Providence.

South Carolina—H. W. Fraser, president Peoples Bank, Georgetown.

South Dakota—D. B. Johnson, vice-president Sioux Falls Savings Bank, Sioux Falls.

Tennessee—A. R. Dodson, cashier Merchants State Bank, Humboldt.

Texas—Edwin Hobby, vice-president Security National Bank, Dallas.

Utah—Frank B. Cook, president Columbia Trust Co., Salt Lake City.

Vermont—George H. V. Allen, president Allen National Bank, Fair Haven.

Virginia—Giles H. Miller, vice-president Lynchburg National Bank, Lynchburg.

Washington—H. C. Lucas, president Yakima Trust Co., Yakima.

West Virginia—R. E. Talbott, cashier Citizens National Bank, Philippi.

Wisconsin—Walter E. Sprecher, cashier State Bank, Independence.

Wyoming—Sumner Miller, cashier Pine Bluffs State Bank, Pine Bluffs.

In addition to the names listed above, the State Legislative Council is composed of the presidents and first vice-presidents of the Divisions and Sections, and the vice-presidents of the Association and of the Trust Company, Savings Bank, National Bank, and State Bank Divisions in each state. The by-laws provide that in each state the elective Executive Council member of the State Legislative Council (or if there is no such member, the state vice-president of the Association), shall be chairman of a sub-committee to be composed of the members of the State Legislative Council in that state and such other members as the state chairman shall appoint.

Members at Large of Executive Council

E. O. Howard, president Walker Bros., bankers, Salt Lake City, Utah.

Percy H. Johnston, president Chemical National Bank, New York, N. Y.

Seward Prosser, president Bankers Trust Company, New York, N. Y.

Rome C. Stephenson, president St. Joseph Loan & Trust Co., South Bend, Ind.

George Woodruff, vice-president National Bank of the Republic, Chicago, Ill.

Vice-President for Territories

Alaska—E. A. Rasmuson, president Bank of Alaska, Skagway.

Canal Zone—G. F. Scheafer, manager American Foreign Banking Corp., Cristobal.

Hawaii—A. W. T. Bottomley, president Bank of Bishop & Co., Honolulu.

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THE BANKERS OF AMERICA

July 25th 1922 No. 85
amt \$ 37⁶⁵

Philippine Islands—Miguel Unson, president Philippine National Bank, Manila.

Porto Rico—Mario Mercado, president Banco de Ponce, Ponce.

Vice-President for Foreign Countries

Bolivia—H. S. Denniston, general manager Denniston & Co., La Paz.

Canada—Sir John Aird, general manager Canadian Bank of Commerce, Toronto.

China—F. J. Raven, president American Oriental Banking Corp., Shanghai.

Costa Rica—W. L. Smith, manager Royal Bank of Canada, San Jose.

Cuba—R. G. Muirhead, president Trust Co. of Cuba, Havana.

Guatemala—Julio Clermont, Clermont & Co., Guatemala.

Isle of Pines—Robert Irwin Wall, president National Bank & Trust Co., Nueva Gerona.

Mexico—John Clausen, vice-president Mexico City Banking Corp., S. A., Mexico City.

Panama—Ramon Arias Feraud, president Banca Arias Feraud, Panama.

Venezuela—E. J. Maury, manager Royal Bank of Canada, Maracaibo.

Committee on Express Companies and Money Orders

John G. Lonsdale, president National Bank of Commerce, St. Louis, Mo., chairman.

J. W. Barton, vice-president Metropolitan National Bank, Minneapolis, Minn.

Frank L. Hilton, vice-president Bank of the Manhattan Co., of New York, N. Y.

Executive Council Spring Meeting

The Administrative Committee announces that the Executive Council of the American Bankers Association will hold its next annual Spring Meeting, April 23, 24, 25 and 26, 1923, at the Westchester Biltmore Country Club, Rye, N. Y. Rye is 24 miles from New York City.

A four-day session instead of the usual five days will be held.

The preliminary outline of the program provides for committee meetings throughout the day on Monday, April 23. The meetings of the whole Council will be held on Tuesday, Wednesday and Thursday mornings. At these sessions action will be taken on economic, business and banking questions of general public interest in addition to the transaction of Association business. In the afternoons on these days there will be no sessions of the Council, but special meetings of the members may be arranged for symposiums on activities of the American Bankers Association.



Real banking service on the Niagara Frontier

FOR seventy-two years The Marine Trust Company of Buffalo has given to its correspondents faithful and adequate service.

This Company has deposits of about one hundred million dollars, assets of one hundred twenty million dollars, and a complete and competent organization which can give you unequalled service in the transaction of business on the Niagara Frontier.

THE MARINE TRUST COMPANY OF BUFFALO

Capital and Surplus, \$17,000,000.00

WALTER P. COOKE
Chairman of the Board

ELLIOTT C. McDOUGAL
President

Convention Incidents

A testimonial dinner to Guy Emerson, executive manager of the forty-eighth annual convention of the American Bankers Association, was given by the members of his staff Friday evening, October 13, at the Harvard Club. A beautiful mahogany humidor on which was a silver plate with appropriate inscription was presented to Mr. Emerson.

In the little talk that he gave Mr. Emerson expressed his gratitude to the members of his staff for their complete cooperation, their willingness to fit into any plans and their enthusiastic loyalty. He paid tribute to the officers of the American Bankers Association for the splendid way in which they cooperated with the Committee of One Hundred. He said no convention executive ever had finer cooperation from his own staff and from officers of the American Bankers Association than he had.

On the closing day of the convention a committee representing the American Bankers Association, the Sons of the Revolution, the New York Historical Society and the Bank of New York, placed a wreath on the grave of Alexander Hamilton, the first Secretary of the Treasury and founder of the Bank of New York, in Trinity Churchyard. William G. Fitzwilson, Secretary of the American Bankers Association, placed the wreath on the grave.

One day during the convention a delegate called the Information Service and said that her husband was attending the business sessions and that she wanted to go shopping but that she had two little girls, 8 and 11, she had to take care of. Could the Information Service do anything for her? An automobile with a maid was sent to her hotel and while the mother went shopping the children were taken to Central Park to see the animals.

Every delegate was welcomed officially on the telephone within fifteen minutes after he registered at his hotel. To do this a staff of 400 men, and 180 telephones installed in the various hotels and at the hospitality headquarters at the American Institute of Banking, were necessary. All of the men were volunteer workers from the banks and the bond houses.

A mother with a girl of seven called the Information Service and said that her husband was attending the business session and that she wanted to go shopping but she did not know what to do with her little girl. She asked whether the Information Service could suggest where she could buy a few toys which her daughter could play with while she went shopping. The Information Service sent a maid in an auto for the little girl and

took her to the toy room of the Hotel Biltmore where she had the time of her young life.

The New York City police, traffic department, took charge of all the bus rides and ran them on schedule time. A squadron of sixteen officers mounted on motorcycles preceded each of the parties. By ruling of the Police Commissioner in charge of traffic, the parties were given right-of-way everywhere they went. Many of the out-of-town visitors said they were impressed with the efficiency of the police as much as they were with what they saw.

The New York newspapers assigned on an average of six reporters each to the Convention. Each of the newspapers printed on an average three pages each day of Convention news during Convention week.

The daily paper published during the Convention by the Committee of One Hundred was one of the fastest growing publications ever established in New York. It started with a circulation of 6,000, and five days later had a circulation of 13,000. The paper was delivered each morning to the rooms of the delegates.

Entertaining the Guests

NOT all of the thousands of visitors who came to the Convention could take in all of the program of entertainment even had each desired to. The numerous constant attractions of the city manifestly made that impossible. But the capacity of the set program for each day was taxed, and

experience proved that the program provided just what the majority of the visitors wanted.

The bus ride through Westchester County and the boat trip around Manhattan Island, each occurring on Sunday, the first day, was a revelation to very many of those who took it.

Among the four entertainment events scheduled for Monday, was a bus ride uptown giving a view of the residential district, Riverside Drive, Central Park, Grant's Tomb, etc. The work of a special police escort was quite as interesting to many of the visitors as anything else they saw. They were impressed with the efficiency of police traffic operations. This day included a visit to the Stock Exchange which has been closed to the public for years, and an illustrated lecture by Henry Collins Brown.

On the program for Tuesday the event which bristled with interest for the ladies, was the fashion show and tea at the Hotel Plaza. Though arrangements had been made for a crowd, the attendance surpassed all expectations. The show itself was, to many, one of the real events of the week. The luncheon of the Committee of One Hundred given at the Waldorf-Astoria is reported elsewhere in this number. The bus ride on this day was down-town and covered every important point in lower New York. The evening was devoted to theatre parties in six theatres.

On Wednesday the event of greatest interest for the men, was the smoker in Hotel Astor, where a crowd which occupied every available inch of space was entertained by a famous group of actors and singers recruited from nearby theatres. For women there were two events of excellent interest on Wednesday. One was the visits to five women's clubs and the other was women's theatre parties in five theatres. On this afternoon also, there was another bus ride up town and at 6.30 P. M. there was a dinner for the presidents and secretaries of the State Bankers Associations and incoming American Bankers Association state Vice-presidents. This was in the Music Room of the Biltmore and was addressed by President McAdams, President-elect Puelicher and others.

The great event on Thursday was the ball at the Commodore. The spacious main ball-room and the smaller ball-rooms on either end were insufficient to meet the demands of all who desired to attend. On Wednesday it was necessary to stop issuing tickets in conformity with the police and fire regulations of the city. To meet the requirements of the great throng there were several instead of one orchestra and to provide entertainment for the many who were unable to attend the ball, the Committee furnished tickets for several leading theatres where the guests saw nationally famous shows. On Thursday also, many of the ladies in attendance at the convention were entertained at luncheons in private homes. The subscription dinner of the National Alumni Association of the American Institute of Banking, is reported elsewhere.

There is no more interesting part of New York than its shipping. The invitation extended by the management of the White Star Line to visit the



Speeding Up Detroit Business

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FIRST NATIONAL BANK DETROIT MICHIGAN

The First National Bank, the Central Savings Bank and the First National Company of Detroit, are under one ownership.

Majestic, the world's largest steamer, was regarded by many visitors and New Yorkers, too, as both a privilege and an opportunity not to be missed and to some, the visit to this and to the *America* at Hoboken were not among the least of the week's pleasures.

Those who devoted Friday to the trip to the United States Military Academy at West Point felt that they were well repaid. There is but one West Point in the world, speaking either from a military or a scenic point of view. The visitors were delighted with the entertainment furnished by the cadets, charmed by the beautiful reservation and river scene, and were loud in their praises of the beauty of the cadets' drill and the dress parade.

Two great river steamers and a special train carried the guests to and from West Point. At the conclusion of the parade which had been especially ordered by Secretary of War Weeks, Seward Prosser presented to the cadets the Bankers Trophy, a silver cup bearing the following inscription:

Bankers' Trophy
Presented October 6, 1922
To the United States Military Academy
To be held each year by company excelling
in intramural athletics

On the reverse side the name of the winning company will be inscribed each year. The cup is to be awarded under conditions prescribed by the Athletic Board of the Academy.

Golf Scores and Dinner

After the convention proper had closed, many bankers played golf at the Garden City Golf Club, the Cherry Valley Club and the Piping Rock Club, a handicap event in which a number of trophies were awarded.

The New York cup was won by P. S. Walton of the Red Bank (New Jersey) Trust Company. Mr. Walton received a handicap of 30 and turned in a score of 98, which gave him a net of 68. R. R. Clabaugh of the Liberty Central Trust Company, St. Louis, won a leg on the St. Louis trophy which must be won three times in succession.

The scores were as follows:

Garden City Golf Club

Best Gross—Dr. N. E. Sprague, National Bank, Far Rockaway, 86; Charles H. Sabin, Guaranty Trust, New York City, 87; Alfred F. Roberts, Calcasieu, La., 89; E. L. Brown, Alamo National, San Antonio, 89.

Best Net—Charles H. Sabin, Guaranty Trust Company, New York City, 87, 12—75; C. E. Oesterle, Citizens National, Marietta, Ohio, 100, 24—76; J. P. McKelvy, Exchange National, Pittsburgh, 96, 18—78; George R. Baker, Chatham and Phenix, New York City, 93, 15—78; T. M. Godde, Empire Trust, New York City, 95, 17—78; J. M. Scott, First National, Charlotte, N. C., 96, 18—78; E. L. Piper, Portland, Me., 108, 30—78; Dr. N. E. Sprague, National Bank, Far Rockaway, 86, 8—78.

Cherry Valley Club

Best Gross—R. R. Clabaugh, Liberty Central Trust, St. Louis, 82; F. H. Gates,

Chase National, New York City, 83; Harold Richard, State Bank, New York City, 83.
Best Net—P. S. Walton, Red Bank Trust, N. J., 98, 30—68; Warner L. Atkins, First National, Norwood, Ohio, 88, 17—71; Charles L. Schenck, People's Trust, Brooklyn, 96, 24—72.

Piping Rock Club

Best Gross—Crowell Haddon, Brooklyn Trust, 82; Edwin R. Rooney, First National, Boston, 88; H. L. Servoss, United States Mortgage and Trust, New York City, 88.
Best Net—1st, Crowell Haddon, Brooklyn Trust, 82, 8—74; 2d, Edwin R. Rooney, First National, Boston, 88, 14—74; H. F. Burpee, Rockford National, Ill., 91, 14—77, and H. L. Servoss, United States Mortgage and Trust, New York City, 88, 11—77 (tie for 3d).

St. Louis Trophy

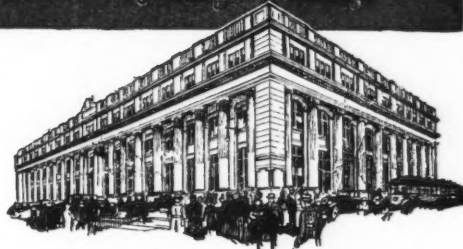
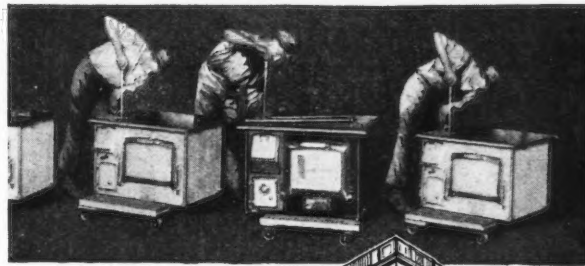
R. R. Clabaugh, Liberty Central Trust, St. Louis, 82, On Cherry Valley Course.

New York Cup

P. S. Walton, Red Bank Trust, N. J., 98, 30—68. On Cherry Valley Course.

This part of the week's entertainment was wound up with a dinner in the evening at the Waldorf-Astoria, during which the golfers had a serio-comic debate, joshed banking and golf and decided unqualifiedly against branch golf courses.

Harrod C. Newland, Assistant to the president of the Chemical National Bank of New York was the "perpetrator of the dinner." Harry J. Haas, vice-president of the First National Bank of Philadelphia, presided. The golf trophies were awarded by Percy H. Johnson, president of the Chemical National Bank of New York.



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Membership Changes

REPORTED FROM SEPTEMBER 25, 1922, TO OCTOBER 26, 1922, INCLUSIVE

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The Executive Manager of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

Arizona.....	Parker.....	Parker Valley Bank, closed.	Colorado.....	Castle Rock.....	Parker State Bank, Parker, consolidated with Castle Rock State Bank.
	San Simon.....	San Simon Valley Bank, closed.		Lamar.....	Citizens State Bank in hands of State Bank Commissioner.
California.....	Biola.....	First National Bank succeeded by Valley Bank of Fresno, Branch.		Ouray.....	Miners and Merchants Bank, voluntary liquidation.
	Brawley.....	First National Bank consolidated with Imperial Valley Bank.	Connecticut.....	Hartford.....	MacDonald, Pimm & Co., liquidated.
	Calipatria.....	First National Bank of Calipatria absorbed by Imperial Valley Bank of Brawley and will be operated as Imperial Valley Bank of Brawley, Branch.	Dist. of Columbia.....	Washington.....	Union Savings Bank absorbed by Continental Trust Company.
	Chico.....	Butte County National Bank succeeded by Bank of Italy.	Florida.....	Callahan.....	Callahan State Bank closed.
	Colfax.....	Colfax Bank succeeded by Auburn Savings Bank, Branch.		Tarpon Springs.....	Sponge Exchange Bank in hands of receiver.
	Colusa.....	First National Bank, closed.	Georgia.....	Atlanta.....	Central Bank and Trust Corporation merged with Citizens and Southern Bank and will be operated as Citizens and Southern Bank, Central Office.
	Fort Bragg.....	First Bank of Savings purchased by Coast National Bank.		Augusta.....	Augusta Savings Bank merged with National Exchange Bank.
	Hollywood.....	First National Bank of Hollywood changed to First National Bank of Los Angeles.		Dalton.....	C. L. Hardwick & Co. succeeded by Hardwick Bank and Trust Co.
	Lemoore.....	National Bank of Lemoore consolidated with First National Bank.	Hawaii.....	Hilo.....	Peoples Bank in hands of receiver.
	Maricopa.....	First National Bank of Bakersfield, voluntary liquidation.		Hilo.....	Security Trust Co. in hands of receiver.
	San Jose.....	Garden City Bank and Trust Company, San Jose, and its branches in the following cities: Campbell, Gilroy, Santa Clara and Saratoga, have been consolidated with Mercantile Trust Company of San Francisco and will be operated as its branches in those same cities.		Kapao Kauai.....	Hawaii Bank of Commerce in hands of receiver.
	Seeley.....	First National Bank, closed.		Kealahou.....	Peoples Bank Ltd., Kona Branch, in hands of receiver.
	Sierra Madre.....	First National Bank succeeded by Sierra Madre Savings Bank.	Idaho.....	Bliss.....	Bliss State Bank in hands of State Banking Department.
	Walnut Creek.....	First National Bank liquidated and purchased by San Ramon Valley Bank.		Idaho Falls.....	Farmers and Merchants Bank consolidated with Idaho Falls National Bank.
Colorado.....	Bristol.....	Bristol State Bank in hands of State Bank Commissioner.		Murtaugh.....	Bank of Murtaugh, closed.
				Roberts.....	Bank of Roberts consolidated with First National Bank.
				Soda Springs.....	Bank of Soda Springs consolidated with Laigilliere & Co., Bankers.
			Illinois.....	Mackinaw.....	Mackinaw State Bank, voluntary liquidation.
			Indiana.....	Columbus.....	Peoples Saving and Trust Co. succeeded by Union Trust Co.

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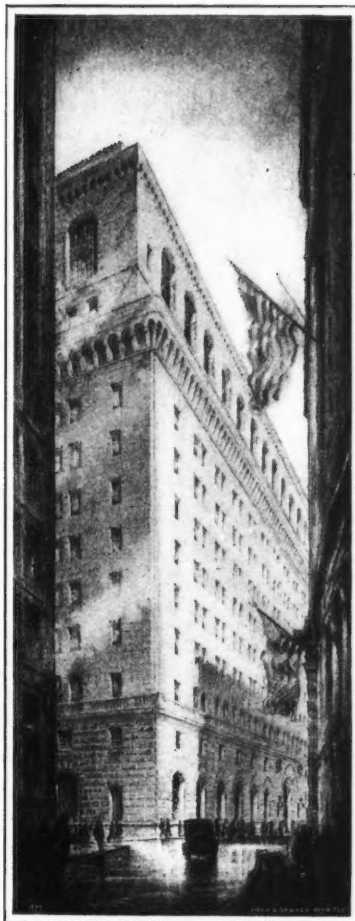


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—*Journal of the American Bankers Association, October, 1922.*



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Iowa.....	Fairfield.....	Fairfield National Bank succeeded by Iowa Loan and Trust Co.	New Mexico.....	Alamogordo.....	First State Bank, Cloudercroft, Peoples State Bank and Alamo State Bank, Alamogordo, merged as First State Bank.
	Lidderdale.....	Farmers and Merchants Savings Bank in hands of State Banking Department.		Socono.....	New Mexico State Bank consolidated with Socono State Bank.
Kansas.....	Belmont.....	Farmers State Bank, closed.		Texico.....	Farmers State Bank, closed.
	Chetopa.....	Farmers and Merchants State Bank, closed.	New York.....	Brooklyn.....	Homestead Bank taken over by Peoples Trust Co. and will be operated as Peoples Trust Co., Homestead Branch.
	Dodge City.....	Southwest National Bank consolidated with State Bank of Dodge City.		New York.....	Henry C. Zaro taken over by Atlas Bank, New York.
	Englewood.....	Home State Bank, closed.		New York.....	Henry C. Zaro Rivington St. Branch taken over by Atlas Bank.
	Ensign.....	Ensign State Bank changed to Peoples State Bank.		New York.....	Guaranty Trust Co., Grand St. Branch, sold to Chatham and Phenix National Bank.
	Larned.....	Farmers State Bank, closed.		New York.....	Bank of New York, N. B. A., merged into New York Life Insurance and Trust Co. under name of the Bank of New York Bank and Trust Co.
	Labette.....	Labette State Bank, closed.		New York.....	Union Liberty State Bank, voluntary liquidation.
	Wichita.....	State Savings and Mercantile Bank consolidated with Fourth National Bank.		New York.....	Merrill, Cox & Corey, 31 Nassau St., New York City, liquidated.
Kentucky.....	St. Matthews.....	Bank of St. Matthews changed to St. Matthews Bank and Trust Company.		Woodhaven.....	First National Bank succeeded by Bank of the Manhattan Co., Ozone Park.
Louisiana.....	Monroe.....	Louisiana Savings Bank and Trust Co. closed.	North Carolina.....	Greensboro.....	Farmers and Mechanics Bank and Trust Co. succeeded by American Exchange National Bank, South Greensboro Office.
Maine.....	Belfast.....	Belfast Savings Bank, liquidating.		Mocksville.....	Merchants and Farmers Bank out of business.
Maryland.....	Union Bridge.....	First National Bank taken over by Central Trust Company of Maryland, Frederick; and will be operated as Central Trust Co. of Maryland, Branch.		Shelby.....	Shelby National Bank, liquidated.
Massachusetts.....	Boston.....	Market Trust Co. merged with International Trust Co. and will be operated as International Trust Co., Brighton Branch.		Williamston.....	Peoples Bank in hands of receiver.
	Boston.....	Peoples National Bank absorbed by Fourth-Atlantic National Bank and will be operated as Fourth-Atlantic National Bank, Peoples Office, Roxbury.	Ohio.....	Cincinnati.....	Field, Richards & Co. succeeded by Richards, Parish & Lamson.
	New Bedford.....	Textile Trust Co., out of business.		Cincinnati.....	Citizens Bank and Savings Co. absorbed by Washington Bank and Savings Co. and will be operated as Washington Bank and Savings Co., Pleasant Ridge Branch.
Mexico.....	Tamanlipas.....	Petroleum Banking and Trust Company, Tampico, in liquidation.		Cincinnati.....	Union Savings Bank and Trust Co., Fifth St. Branch, discontinued.
Minnesota.....	Argyle.....	Citizens State Bank, closed.		Cincinnati.....	Hamilton County Bank succeeded by Union Savings Bank and Trust Co., Woodburn Avenue, Branch.
	Morristown.....	Morristown State Bank absorbed by Farmers State Bank.		Ravenna.....	Ravenna National Bank succeeded by First Savings Bank and Trust Co.
Mississippi.....	Drew.....	Bank of Drew in liquidation.	Oklahoma.....	Bartlesville.....	Bartlesville State Bank, closed.
	Gunnison.....	Merchants and Planters Bank, closed.		Cameron.....	Bank of Cameron, liquidating.
Missouri.....	Kansas City.....	First Mortgage Trust Company taken over by Peoples Trust Co.		Clarita.....	First State Bank, closed.
	Kansas City.....	Colonial State Bank consolidated with Southwest Boulevard State Bank.		Coalgate.....	Security State Bank out of business.
	Kansas City.....	East Side Bank merged with Union State Bank.		Comanche.....	Farmers State Bank, liquidated.
	Moherly.....	Farmers and Merchants Bank in hands of Commissioner of Finance.		Edmond.....	Edmond State Bank, closed.
	West Plains.....	Howell County Bank taken over by First National Bank.		Glencoe.....	Farmers State Bank, closed.
Montana.....	Absarokee.....	Stillwater Valley National Bank, closed.		Minnehah.....	Citizens State Bank succeeded by First National Bank.
	Billings.....	American National Bank, closed.		Muskogee.....	Central State Bank, closed.
	Great Falls.....	Commercial National Bank, suspended at close of business October 4th.		Pawnee.....	Security State Bank, closed.
	Ismay.....	Farmers and Stockgrowers State Bank, closed.		Sulphur.....	Bank of Commerce, closed.
	Sidney.....	Yellowstone Valley Bank and Trust Co., closed.	Oregon.....	Portland.....	State Bank of Portland, liquidating.
	Twin Bridges.....	Bank of Twin Bridges, closed.	Pennsylvania.....	Philadelphia.....	Charles Smith & Sons, Philadelphia, Pa., no longer in active business.
	Virginia City.....	Madison State Bank in hands of receiver.		Pittsburgh.....	Callaway, Fish & Co., Commonwealth Bldg., discontinued.
Nebraska.....	Benedict.....	Farmers State Bank, closed.		Wilkes-Barre.....	Callaway, Fish & Co., Miners Bank Bldg., discontinued.
	Gering.....	State Bank of Gering, closed.	South Carolina.....	Charleston.....	Liberty Bank, closed.
	Morrill.....	Farmers and Merchants Bank, closed.		Georgetown.....	Farmers and Merchants Bank closed, pending action State Bank Commissioner.
	Shelton.....	Shelton State Bank in hands of receiver.	Tennessee.....	Nashville.....	Thomas Plater & Co. succeeded by Joe B. Palmer & Co.
	Sholes.....	Wayne County Bank, closed.		Paris.....	Commercial Bank and Bank of Henry merged as Commercial Bank and Trust Co.
	Spencer.....	First National Bank in hands of receiver.		Texas.....	Amarillo.....
	Waco.....	Waco State Bank out of business.			City National Bank consolidated with National Bank of Commerce.
	Waterloo.....	Bank of Waterloo, closed.		El Paso.....	Security Bank and Trust Co. consolidated with Border National Bank.
New Jersey.....	Camden.....	First National Bank and National State Bank consolidated as First National State Bank.		Garden City.....	First State Bank, closed.
				Rising Star.....	Guaranty State Bank, liquidating.
				West Columbia.....	Columbia State Bank and Guaranty State Bank consolidated as First Capital State Bank.
			Utah.....	Logan.....	Farmers and Merchants Savings Bank consolidated with Cache Valley Banking Co.
				Myton.....	Myton State Bank, closed.
				Salt Lake City.....	National Bank of the Republic consolidated with Continental National Bank.
			Virginia.....	Charlottesville.....	Commerce National Bank merged with Peoples National Bank.
				Mineral.....	Bank of Louisa of Sulphur Mines, discontinued.
				Richmond.....	Church Hill Bank merged with Broad Street Bank and will be operated as Broad Street Bank, Church Hill Branch.
				Upperville.....	Faquier Loundon Bank succeeded by Peoples National Bank, Branch.



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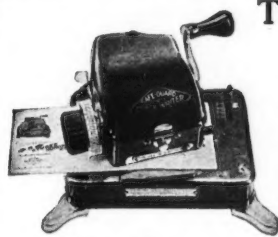
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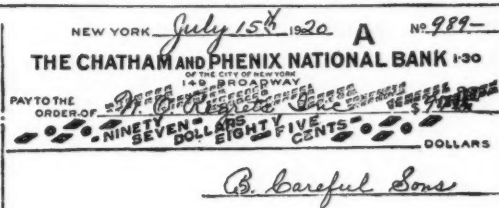
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Washington.....	Kent.....	State Bank of Kent succeeded by Kent National Bank.	West Virginia....	Wheeling.....	Mutual Savings Bank succeeded by Mutual Savings Trust Co.
Molson.....	Commercial Bank, Chesaw, sold out to Citizens State Bank.	Wyoming.....	Basin.....	Big Horn County Bank, failed.	
Port Townsend...	Merchants Bank consolidated with First National Bank.	Cheyenne.....	Wyoming Trust and Savings Bank merged with Stock Growers National Bank.		
Waterville.....	Waterville Savings Bank, closed.	Graybull.....	Commercial Bank consolidated with First State Bank.		
Withrow.....	Withrow State Bank, closed.	Manville.....	Bank of Manville sold out to First National Bank.		
West Virginia....	Morgantown.....				
	Farmers and Merchants Bank consolidated with Bank of the Monongahela Valley.				

New Members from September 26 to October 25, 1922, Inclusive

California

Commercial National Bank, Highland Park Agency, Los Angeles 16-17.
Commercial National Bank, Pico Agency, Los Angeles 16-17.
Commercial National Bank, Seventh & Central Agency, Los Angeles 16-17.
American Bank, Modesto 90-298.
Bank of Italy, Excelsior Branch, San Francisco 11-35.
Security State Bank, Turlock 90-992.

Connecticut

Unionville Bank & Trust Co., Unionville 51-315.

Georgia

Georgia State Bank, Atlanta 64-1026.

Illinois

Carbondale Trust & Savings Bank, Carbondale 70-380.
Belmont Trust & Savings Bank, Chicago 2-327.
Cottage Grove State Bank, Chicago 2-189.
A. J. Hunter & Co., Western Union Bldg. Chicago.
Union National Bank, Elgin 70-99.
Du Page County State Bank, Glenelg 70-1719.
Chas. P. Dewey & Sons, Toulon 70-797.

Indiana

Old Capital Bank & Trust Co., Corydon 71-1209.
Indiana State Bank, Terre Haute 71-41.
Farmers National Bank, Wadesville 71-938.

Iowa

Braddyville State Bank, Braddyville 72-2033.
Northern Trust & Savings Bank, Des Moines 33-69.

Kansas

Garnett State Savings Bank, Garnett 83-222.
Farmers State Bank, Turon 83-533.
State Bank of Westphalia, Westphalia 83-1084.
State Exchange Bank, Yates Center 83-252.

Kentucky

Farmers State Bank, London 73-667.

Maryland

Baltimore Commercial Bank, Charles St. Branch, Baltimore 7-98.
Baltimore Commercial Bank, Columbia Ave. Branch, Baltimore 7-98.

Maryland—Continued

Baltimore Commercial Bank, Northeast Branch, Baltimore 7-98.
Baltimore Commercial Bank, Park Ave. Branch, Baltimore 7-98.
Citizens Bank, Chestertown 65-284.
Owings Bank, Owings 65-225.

Michigan

Peoples State Bank, Alpena 74-124.
Central Savings Bank, Gratiot & Seminole Ave. Branch, Detroit 9-53.

Minnesota

First National Bank, Buhl 75-674.

Mississippi

Senatobia Bank, Senatobia 85-208.

Missouri

Farmers & Merchants Bank, Craig 80-651.
Farmers Bank, Cross Timbers 80-1665.

Nebraska

Farmers State Bank, Rosalie 76-633.
Farmers State Bank, Wolbach 76-317.

New Jersey

First National Bank, Clifton 55-520.
Central National Bank, Freehold 55-342.
Second National Bank, Phillipsburg 55-220.
First National Bank, Weehawken P. O., West New York 55-527.

New York

Atlanta National Bank, Atlanta 50-1045.
Broadalbin Bank, Broadalbin 50-1001.
Citizens Trust Co., Black Rock Branch, Buffalo 10-15.
Citizens Trust Co., Genesee St. Branch, Buffalo 10-15.
Citizens Trust Co., South Park Branch, Buffalo 10-15.
Citizens Trust Co., West Side Branch, Buffalo 10-15.
Citizens Trust Co., William St. Branch, Buffalo 10-15.
Canaseraga State Bank, Canaseraga 50-676.
First Joint Stock Land Bank of New York, New York.
The Mitsubishi Bank, Ltd., New York 1-333.

North Carolina

Bank of Randolph, Asheboro 66-218.
First National Bank, Murfreesboro 66-496.
Peoples Bank, Murfreesboro 66-406.

Ohio

Piqua Savings Bank Co., Piqua 56-220.

Oklahoma

Peoples State Bank, Morris 86-483.

Pennsylvania

Berwick National Bank, Berwick 60-713.
First National Bank, Juniata 60-1207.
Bank of Knoxdale, Knoxdale 60-1593.
First National Bank, Broad & Sansom Sts. Branch, Philadelphia 3-20.
Pennsylvania Trust Co., Junction Office, 8th & 9th Sts., at Spring St., Reading 60-41.
Pennsylvania Trust Co., Schuylkill Ave. Office, Schuylkill Ave. & Green St., Reading 60-41.
Green Ridge Bank, Scranton 60-21.
First National Bank, Stroudsburg 60-748.

South Carolina

Bank of Blacksburg, Blacksburg 67-234.
First National Bank, Woodruff 67-174.

Texas

First Guaranty State Bank, Jacksonville 88-328.
First National Bank, Rockport 88-594.

Virginia

Grace St. Bank & Trust Co., Richmond 68-648.

West Virginia

Manufacturers Bank, Nitro 69-401.

Canada

Imperial Bank of Canada, Revelstoke.

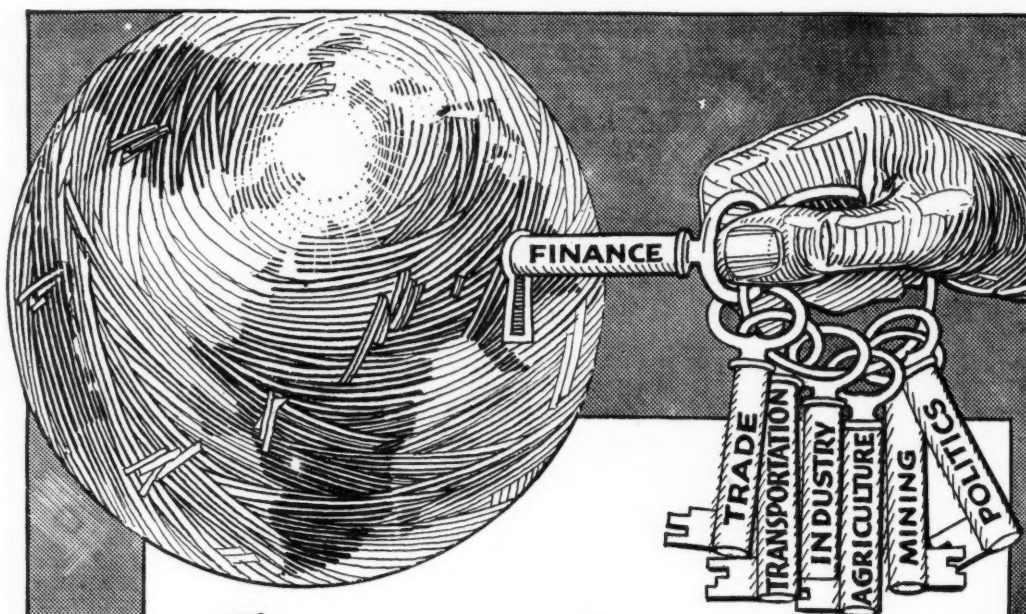
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